Multiple Centres, Functional Peripheries – the uncertain world of territorial interest representation


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1. From Territorial to Functional definitions of Centre and Periphery

When discussing questions of centre and periphery, or relations between the two in territorial politics, it is frequently the case that one assumes a “David vs. Goliath” situation, or that there would be an inherent imbalance in terms of powers, or influence in decision-making, potentially leading to a situation of social injustice or even oppression. Certainly, examples of that were in existence in a number of highly centralised states, on both sides of the old “Iron Curtain”.

The traditional concept of the nation-state as the primary (or predominant) decision-maker on all aspects of a society’s life has in the past lent considerable weight to the assumption that the “centre” is where the power is located, or, in Gary Marks’ terminology, where “authoritative decision-making” (Marks, 1996) takes place. In pre-1990 Eastern Europe, the ruling Communists used to proclaim their adherence to the Marxist principle of “Democratic Centralism” – thus being proud of a strong centralist government machinery which may or may not take serious any input receive from the economic realities in the regions but was absolute in its demand for compliance with development aims and practices churned out by the central government and its institutions.

On the Western side, the tradition of centralisation in administrative practice pre-dates the industrial age. France would be the obvious example, where a strong central state was being forged together even before the Napoleonic era linked the issue with the concept of nationhood. This turned the nation-state into a leitmotif for territorial governance for the next 150 years or so, more recently creating both the post-war welfare state and the post-Fordist neo-liberal state in the process (Loughlin, 2000).

However, the end of the Cold War and the collapse of the Communist regimes in Central and Eastern Europe have brought to the fore questions of national and regional distinctiveness which had lain dormant – or were actively suppressed – for decades. New political, social and economic actors, led by newly emerging, and often self-appointed, territorial élites have vigorously put forward political claims for recognition on a magnitude not seen in Europe for some time (Ågh, 1998). Frequently, a part of these claim-staking exercises is the argument that the territory in question is in one way or other “peripheral” to the socio-economic and political activities of the society in that country. Similar arguments can also be found within the EU, put forward by various groups of regionalists or nationalists within the so-called “stateless nations” (e.g., Scotland, Wales, Catalonia, the Basque Country and others).¹ Such claims therefore, though frequently couched in terms of “recognition”, “respect”, “acceptance of one’s status as a nation” etc., often is in practice a claim for compensation – politically, financially or otherwise – in order to redress real or perceived disadvantages resulting from this remoteness. Moreover, supporting arguments of an economic nature are often

¹ These claims have been well documented in the recent literature (see, for instance, Lynch, 1996; Mitchell, 1998; Lange, 1998; Stolz, 1998; Bache and Jones, 2000), and therefore need not be addressed in detail here.
mixed and matched to arguments of ethnicity, of cultural heritage, and of alleged political injustice past and present. Occasionally, references so widely varying as the UN Charter and last year’s budget settlement are quoted by political activists within the same speech, without pause for thought.²

More to the point however, would be a functional analysis of the practice of governance which has emerged in Europe over the last ten years or so. Among political scientists, the scene has been dominated by a number of debates centred around the issue of multi-level governance (MLG), as advanced by Gary Marks and others, notably Liesbet Hooghe (Marks, 1993, 1996; Hooghe and Marks, 1995). A main focus of much MLG research rested upon the ways and means of interest representation and channels of communication and influence between the different levels. Thus a search was conducted for procedures that would enable governance to be conducted more efficiently – and hopefully more democratically – in a system or network of what Hrbek and Weyand (1994) called “vertical” co-operation among the different levels.

Nevertheless, most of the MLG literature still argues in territorial rather than functional terms, for the simple reason that the levels are being defined in terms of territory. This is justified insofar as political decision-making procedures are based on the principle of territorial responsibility, in the sense of a Parliament being in charge of a country, a regional assembly in charge of a region, a local authority in charge of local government district, etc. However, it is very much in order to ask what we mean by “in charge”, or “responsible”, in this context. Marks himself has given a hint in that direction when talking about “an actor-centred approach to MLG” (Marks, 1996), but this avenue has not been fully explored yet. Certainly, MLG can be regarded as a broad concept, or general model, but in practice there are a number of widely varying sub-systems or procedures employed in different states and in different policy areas, e.g. “asymmetrical government” (Keating, 1998), different models of devolution, regionalisation, and federalisation, “transnational regionalism” (Lynch, 1996) and others, which cannot – and should not – be pressed into a rigid homogenous framework. However, despite the astonishing amount of empirical evidence concerning policy issues amassed by researchers in support for their contributions to these MLG debates, the debates themselves are mostly concerned with the mechanics of territorial governance, not with the contents of the policies developed under the new systems. Therefore, it is time for a return to politics after so much constitution-building, institution-building and map-making.

This need for political direction-finding is a key reason why – as bemoaned in the advertisement for this workshop – recent academic debates on the centre/periphery issue have focussed so much on economic development issues. At least in Western Europe the alleged “victims” themselves have turned to regarding socio-economic solutions as a way out of their disadvantaged situation – and regional scientists have repeatedly told them that this is indeed so, e.g. Keating’s “virtuous model” of development (Keating,

² Ieuan Wyn Jones MP AM, the new leader of the Welsh nationalist party Plaid Cymru since August 2000, has developed such issue linkages into an art form, as he frequently needs to argue for both Welsh “self-government in Europe” (Plaid’s official long-term goal) and more financial support from London.
In Eastern Europe, on the other hand, political and religious considerations have brought populations in peripheral territories to the conclusion that the continuation of links to the – old – centre might result in a perpetuation of the deficient situation. Hence it would be acceptable to endure short-term economic hardship or even war for long-term gains of self-determination – and hopefully self-made prosperity (see Ágh, 1998; Lettamendia, 2000). In most cases, however, the economic hardship has certainly materialised, while the long term benefits have not, or at least not yet.

Therefore, it would be most worthwhile to have a closer look at the various dimensions which may determine the classification of a territory as peripheral. Traditionally, some “idealypical” classification might have looked as follows:

(1) Physical Geography. For obvious reasons, a territory’s geographical location cannot be changed. Much the same goes for the regional endowment with natural resources such as raw materials or readily available natural sources of energy. In this natural rather than political sense, a peripheral location is a permanent feature. However, what can be done are measures to overcome the economic consequences of a peripheral location. Technically, this is merely a problem of infrastructure development, and in theory not insurmountable. However, difficulties arise out of the question of economic feasibility. This is what turns the natural phenomenon into a political question: is it actually worthwhile to embark on a major programme of infrastructure development? What are the potential gains and benefits, and are they really outweighing the costs? If the answer to that final question is no, the question turns into one of political wills between those concerned and those able to fund the development programme – usually the two groups within the society are not identical (e.g., in North Wales, Northern Ireland, large parts of East Germany, Galicia, and other places).

(2) Human Geography. A lack of people or a thin dispersal of the population, possibly accompanied by high out-migration and low in-migration rates cannot be overcome easily. In the present situation, where mobility of labour is if not convenient so at least feasible, people, just like businesses, need a reason to stay loyal to their region. Hence, in many regional development strategies human resource management is high on the agenda. One key element is usually investment in education for a variety of age groups intellectual abilities. In addition, “quality of life” facilities, including easy access to utilities, public transport and services may help. But again, the economic viability overshadows all these calculations, similar to the situation concerning infrastructure development.

(3) Economic under-development. This phenomenon is often linked to the first two factors. In practice-oriented parts of the literature (e.g., Morris and Hill, 1991; Price et al., 1994; Morgan, 1995; Halkier et al., 1998; Bennett and Payne, 2000) one usually finds attempts to attract inward investment as the standard solution, given that both physical and human infrastructure have previously been given a boost by conducting development tasks that are not actually profitable in themselves but provide the conditions for both indigenous and externally sponsored economic development. Political representatives or their agents engage in massive place marketing, often having the burdensome task of
explaining to potential investors why a region is not peripheral, and hence a good place to
invest in. Shortly before or after doing that, the same people have the likewise
burdensome task of explaining to decision-makers on other levels of governance
(whether MLG-style structures are in place or not) why and how one’s region is so
peripheral that support for proposed measures of infrastructure and human resource
development are an absolute must.

(4) *Distinct heritage, culture, tradition, religion, language and similar considerations.* Here, finally we have reached an area where the question of periphery is
purely a political one, a matter of legislative and administrative practice, and usually
assessed by wholly subjective perceptions among the political actors concerned. The
institution-building literature points us to the seemingly standard solution of creating a
constitutional and legal base which formally recognises special circumstances, and
creation of political institutions and structures of decision-making which allow the
population to pursue their interests effectively. The minimum requirement here would be
a level playing field for all territorial parts within the society, say along the lines of
Prime Minister Harold Wilson’s efforts in the 1960s in the UK. Over and above this, we
find demands among regional activists for various degrees of autonomy – with or without
economic feasibility studies attached – and right up to secessionist arguments (see
Loughlin, 1994; Lettamendia, 2000).

Many of these arguments are not new. Over the last few years they have become
rather familiar as they have dominated the thinking of most regional planners, political
decision makers and researchers in regional studies. This was all highly adequate and
relevant in a time where in so many countries in Europe processes of region-building,
constitutionalisation of territorial relations and (re-)asserting of national identities took
place after the end of the Cold War. By and large, however, these processes have come to
an end or have at least slowed down in most places after the frenzy of activism all over
Europe in the decade from 1990. The new situation, though, can on the one hand be
described as more sedate and more interested in getting on with practical problem-
solving, and on the other hand as more open and flexible in terms of decision-making
procedures due to the recent introduction of MLG-style structures of authority. Therefore,
the old categories for assessing a territory’s degree of being peripheral are due for re-
assessment. Now, a territory might be peripheral in some respects but not in others. What
is needed is a new, functional definition of “periphery”. In order to do this, we should
consider three hypotheses:

(1) “Periphery” is a relative term, directly dependent on what is defined as the
“centre”.

(2) There are various, possibly different centres, depending on the issue or task in
question.

(3) Due to the now frequently occurring shifts in political and socio-economic
circumstances in MLG-style structures, we have continuous processes of centre-building
on the one hand, and marginalisation on the other, so centre and periphery are changing
scope and shape.
Taken together, these hypotheses assume that being peripheral is a relative phenomenon, depending on the functional issue at hand, and on the framework of reference used. However, the introduction of systems of governance which can be described as MLG-style has resulted the possibility if not the probability that in territorial politics, being peripheral is not only relative but may even be transitory, despite some hard and unalterable geographical facts. In formerly highly centralised countries in Western Europe (e.g., France, the UK, and Belgium), processes of devolution and regionalisation, respectively, have significantly altered the role of the old “centre” to such an extent that with regard to carrying out certain functions in society, regional economic development among them, the central governments clearly are not the “centre any longer”, while new centres in the shape of regional governments spring up all over the countries to take on that role. In other respects, e.g. defence, central government usually remains the centre. An interesting case is external interest representation, where more and more frequently we find a multiple-centre situation, with classic diplomacy remaining firmly in the hands of central government, while other measures of external interest representation have passed into regional responsibility or occasionally even into semi-public and private hands (agencies, international networking by the business community, etc.).

Moreover, the waves of institution-building that have swept through the EU from the mid-1980s have provided an important prerequisite for a function-based definition of “centre” – and hence by implication “periphery”. The new institutions – and that is what makes establishing them achievements in their own right – for the first time make it feasible for previously “peripheral” or non-existent regional decision-making bodies to develop into “centres” – by taking centre stage in the conduct of this or that task. This step has been hailed by regional activists and researchers alike, and justly so. However, what has been achieved so far is nevertheless merely the political and legal framework for such centre development. Now is the time, though, to make the most of this potential by filling it with meaningful political contents through well-informed debates and practicable, feasible policy decisions.

Take the UK devolution process, for instance. The institutional framework has been created and is up and running in Scotland, Wales and Northern Ireland since 1999. The list of devolved powers, varying for the different constituent parts of the UK, are mere shopping lists of tasks to be addressed by the devolved legislative bodies. But the second stage, the development of political contents, has barely begun. So far, the Scottish Parliament has not used its tax-varying powers (Mitchell, 2001). The National Assembly for Wales complains of not being lobbied enough by the business community (Davies, 2001). The peace process in Northern Ireland is as delicately poised as ever (Wilford, 2001). In all three territories, most policy decisions\(^3\) that were taken by and large consisted of adaptations from policy papers drawn up by Whitehall for England. Small wonder, then, that the devolved institutions are not really seen by private organisations and the media, let alone the public, as having developed into centres. Early indications are there that such a development is going to take place in the future, but a meaningful

\(^3\) A notable exception is the scrapping of university tuition fees in Scotland, forced upon Labour by their coalition partners, the Liberals).
practical assessment will probably not be feasible until the new institutions have gone through their full first legislative period.

For the empirical part of this study, let us therefore turn to a place where a multiple-centre situation has already developed, despite dramatic upheavals of the structure of territorial governance in recent years: Saxony in East Germany.

2. Multiple Centres in Multi-level Governance: The Case of Saxony

The German Land Saxony is a territory which in the 1990s has migrated politically from Eastern to Western Europe yet without relocating physically; which has a highly developed sense of regional identity yet which does not regard itself as a nation; and not least whose economic performance is ridiculed by its Western neighbours yet highly envied by its Eastern neighbours. In choosing Saxony as an example, one has to be aware that the German case is an unusual one in terms of centre-periphery relations. The key here lies in German federalism, where a functional division of society’s tasks is not only well established, but elevated to the status of constitutional imperative: the distribution of functions is spelt out at length in the Federal constitution, the Basic Law. This is certainly an unusual situation, insofar as this distribution is not newly introduced in the post-1990 reforms but has been around in the old states of the Federal Republic (FRG) since 1949, with appropriate amendments in constitutional practice as and when required (Lehmbruch, 2000; Wachtendorfer-Schmidt, 2000).

To investigate the question why multiple centres for different functions could develop in Saxony so speedily, it is worthwhile to first take a closer look at the institutional and legal background of the Saxon system of territorial governance. In 1990, Saxony has chosen to follow the traditional example, derived from the days of the Weimar Republic (Schmeitzner, 1997), of calling itself a Freistaat (Free State). The point of this exercise was to emphasise the concept of statehood – free, no less – in the name, but the only practical result of this decision is a linguistic quagmire. As far as constitutional arrangements, political powers, and influence in federal and European affairs are concerned, the three Freistaaten Bavaria, Thuringia and Saxony are in no way distinct from the other 13 Länder with whom together they form the FRG. The concepts of statehood, partial sovereignty, and legal powers are regulated by Articles 30, 31, and 70-75 of the Basic Law. In a nutshell, Articles 70-75 indicate which powers either have to, or may be, exercised by the federation. In the latter case, a Land may legislate on its own if there is no federal law, or within the provisions of federal law. In those cases, however, federal law always supersedes Land law (Art. 31). In all other areas the Länder may legislate as they see fit (Art. 30). In addition, Articles 23 and 50-53 GG grant the Länder a number of rights to be exercised jointly in Europe and in the Bundesrat, which is the second chamber of the federal parliament, and is composed of representatives of the 16 Länder governments. Saxony has four votes in the Bundesrat and is represented by 39 members in the Bundestag (SLA, 1997).
According to the Saxon Constitution\(^4\), the legislative powers constitutionally granted to the German Länder are in Saxony vested in the Saxon Landtag (Regional Parliament). The executive powers in Saxony are vested in the Regierung des Freistaates Sachsen (Government of the Free State of Saxony), composed of the Ministerpräsident (Prime Minister) and his Cabinet, elected by the Landtag. The Ministers each head a Staatsministerium (State Ministry) which conducts the state civil service functions of their departmental brief. In addition, the newly formed Land of Saxony decided to retain its division into three territories inherited from the GDR days, now labelled Regierungsbezirke (governmental districts), as purely administrative units, managed by the Regierungspräsidien (district government offices) in Dresden, Leipzig and Chemnitz. However, there is no legislative body for these territories. The heads of these administrative units, the Regierungspräsidenten, are appointed by the Land government, but once appointed they enjoy a considerable freedom of manoeuvre in the running of administrative affairs in their territory. The internal structure of the Regierungspräsidien largely mirrors the ministerial bureaucracy, albeit on a much smaller scale.

Local government in Saxony consists of a two-tier system for rural areas, and a one-tier system for urban areas. The upper tier for rural areas consists of 23 Landkreise (Local Government Districts). This number has been reduced from the 48 inherited from the GDR times in a process of territorial reform in 1991-92 (Seibel, 1993). The main thrust of this reform was the creation political units which comprise socio-economic entities of a feasible size.\(^5\) One key step consisted of re-uniting the local government of larger cities with the local government of the sub-urban and rural areas surrounding those cities. This policy, however, was not implemented in the two largest cities, Dresden and Leipzig, as the resulting super-districts would have had up to three times the average size of the other districts in terms of population. In the less densely populated areas of southern Saxony and along the Polish border, however, large territories have been brought under one administrative roof – not always out of their own free will. These Landkreise are not only administrative units, but also feature Kreistage (district legislative assemblies). The executive branch in the in newly formed Landkreise is headed by a Landrat, who is the only elected official in the Landratsamt (Local Government District Office). The powers and obligations of these offices are limited, and are mainly concerned with looking after the joint interests of the towns and villages in their area. In the economic sphere, their main function is detailed spatial and ground use planning, along with land ownership registry and transport. Some minor special functions, such as vehicle registration, etc., are also run by the Landratsämter. The lower tier of local government in the rural areas of Saxony are the Gemeinden, i.e. towns and villages.\(^6\) Their role is set out in the Sächsische Gemeindeordnung (Saxon Local Government Charter). The Gemeinden have an elected Gemeinderat (Legislative Council), which in turn elects the Mayor. Seibel (1993) states that to have this system meant “following the example of a number of South German Länder”, but it has to be

\(^4\) Verfassung des Freistaates Sachsen. For the purpose of writing this paper the version published by the Sächsische Landeszentrale für Politische Bildung, 1999, was used.

\(^5\) On average 125,000 citizens (Seibel, 1993).

\(^6\) In the case of very small villages located next to each other, they may form Verwaltungsgemeinschaften (Joint Administrations) on the executive side.
noted that this system was already in place during both Nazi and GDR times, and is not a product of the post-1990 reforms (Wollmann, 1998). To continue with it meant no formal change, although now the Gemeinderat usually has a leading group and an opposition along party-political lines. The number of council members is usually relatively small – rarely exceeding 20 – but their administrative staff is usually quite large. The reason for this is that one of the main functions of the Gemeinde bureaucracy is the administration of most elements of the social security benefit system, excluding unemployment benefit and pensions. The six largest Saxon cities have a one-tier system of local government. It comprises elements of both the Landkreis and Gemeinde system, and combines the powers and responsibilities of both. Since 1998, these cities have both a directly elected Mayor\(^7\), who also fulfils the role of a Landrat, and a Stadtverordnetenversammlung (City Council) operating along the lines of both a Kreistag and a Gemeinderat. City Councils run a vast Local Civil Service, whose department heads are politically appointed by the council.

As we can see from this brief summary alone, in Saxony a very elaborate legislative and administrative infrastructure has been put in place over the last decade which without doubt fulfils the institutional and legal prerequisites for developing into meaningful centres of decision-making. However, what we have to ask whether the ends of this exercise justify the enormous effort (1999 figures as published in SLA, 2000): 566,200 public employees out of a total number of 1.89m employed persons in the region. However, this employees of public service providers (including health and education). But the regional and local civil service is nevertheless well-staffed, comprising 192,700 employees. Has all this institution-building and manpower commitment led to the development of meaningful centres for regional decision-making?

Let’s start with geography. Indeed, the physical geographic location of a territory cannot be changed. While this has some consequences – Saxony will never be a major centre for deep-sea fishing – the importance of that location may change in various terms. The Saxon position may be summarised as in Table 1. It is noteworthy that although the framework of reference is a territorial one, the criteria for defining the degree of centrality the territory enjoys are only to some extent dependent on geography. The same position may be an asset or a hindrance, depending on the circumstances, or indeed functions.\(^8\) Rather, centrality depends on how well geography fits with other features such as socio-economic criteria, political influence and suitability for roles and tasks to be carried out by political and economic actors in the region.

\(^7\) Until 1998, the Mayor was elected by the City Council.
\(^8\) This is a variant of the well-known “Liverpool phenomenon”: Britain’s most important port until the 1960s, now they are simply based on the wrong side of a Britain whose trade and travel focus has shifted considerably from transatlantic to continental European links.
Table 1. Saxony’s centrality in current territorial frameworks of reference

<table>
<thead>
<tr>
<th>Territorial Framework of Reference</th>
<th>“Centrality index”</th>
<th>Indicators</th>
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<tbody>
<tr>
<td>Saxony</td>
<td>High</td>
<td>Politically highly stable. Government exercises comparatively strict (in comparison with other German Länder) central control over local affairs. Distinct and recognisable regional culture, including good relations with the local ethnic minority, the Sorbs. However, severe underdevelopment in some remote hilly areas in the South of Saxony.</td>
</tr>
<tr>
<td>East Germany</td>
<td>Very High</td>
<td>Economically strongest of the five new Länder. Good transport links to all parts of East Germany. Somewhat seen as role model for the other four. Self-assured government, but now possibly feeling uncomfortable in the East German context. ⁹</td>
</tr>
<tr>
<td>Germany</td>
<td>Low</td>
<td>As part of East Germany, clearly disadvantaged compared to most of the Western Länder. Border location to Poland and the Czech Republic still more of a problem rather than an asset (smuggling, illegal immigration, cheap goods and services across the border undermine domestic demand).</td>
</tr>
<tr>
<td>Present-day EU</td>
<td>Very Low</td>
<td>Objective 1 region, GDP/head around 58% of EU average. Located on the outer border of the EU. Long and difficult transport links to Southern and Western parts of the EU. As a relatively new member-region not a big standing and no great experience in EU politics.</td>
</tr>
<tr>
<td>Europe; future enlarged EU</td>
<td>High</td>
<td>Physical location as central as can be in a Europe that stretches from Cabo da Rocca to the Ural Mountains. Reasonable transport links to East-Central Europe; tradition of political and economic links to these territories, too. Ideally placed as a “bridge” between East and West, but one must not forget that a bridge is a link between two places and the bridge may be little more than a convenient pathway, while the real business takes place on either or both sides of it, rather than on the pathway itself.</td>
</tr>
</tbody>
</table>

⁹ See Prime Minister Biedenkopf’s famous phrase “We are not the East, we are Saxony”, used in his 1998 budget speech (Biedenkopf, 1998).
It is noteworthy that the “very low” rating in the present-day EU column may change sooner rather than later when Eastern enlargement takes place. However, not all is well even then; the “high” rating in the Europe column may bring a number of disadvantages, which have already started to materialise: overcrowded highways used by long-haul road traffic, economic in-migration from the Eastern neighbours as Saxony, though near the bottom of the EU’s economic league-table, is still considerably better off than most of Eastern Europe, etc.

The question of political centrality, too, has seen considerable changes. One interesting side issue is the political function of ensuring external security: Saxony undertook a change from Warsaw Pact front-line territory to NATO front-line territory, and in turn to a less exposed location after Poland, the Czech Republic and Hungary became members. In terms of military policy, front-line territories are functionally most central in the activities of planners and strategists. However, Saxony’s switches in status do in no way mirror Saxony’s political position within these military alliances. In all three scenarios, the Saxon influence was and is virtually zero, as defence was and is outside the realm of regional politics.

In general, though, the German federal system is highly conductive of a strong interest representation by the Länder. This includes a number of European issues, as set out in the new (1992) Art. 23 of the Basic Law. Saxony was handed these influences on a silver plate simply by becoming a Land of the FRG. Non-German observers, however, often fail to realise that as with Länder influence on the domestic federal legislation (via the Bundesrat), most of the considerable influence on EU matters can only be exercised jointly by the Länder, not individually by each Land, with the exception of the individual Länder representatives in the Committee of the Regions.

However, the question how state institutions handle political interests gains particular salience when looking for evidence of centre-building. In this context one also has to note the Germanic tradition of legalising and institutionalising, or even constitutionalising the accommodation of – possibly contradictory – political interests. This entails the creation of detailed constitutional and legal prescriptions of these functions and responsibilities. Saxony has given itself a Land constitution, which came into force on 6 June 1992. Articles 7-12 of this constitution contain a series of Staatsziele (aims of the state). Ostensibly, therefore, the Free State of Saxony, as an institution, ceased to be politically neutral or inert.

A Staatsziel is a legal construct whose status differs from both basic rights and from state functions. Staatsziele cannot be enforced by individuals through the court system – basic rights can, by the individuals concerned. So can state functions, on application by federal or state institutions, or other members of the federation. In the Saxon constitution,¹⁰ the basic rights (Art. 14-38 VFS) simply re-state a series of provisions laid down in federal constitutional and criminal justice law, which would be

¹⁰ Verfassung des Freistaates Sachsen (VFS), published by the Sächsische Landeszentrale für Politische Bildung, 1999.
binding in Saxony anyway, as in the rest of the German federation (Art. 31 GG). The state functions mentioned Art. 70-108 VFS deal with the production of state legislation, administration of justice, general public administration, administration of the state finances, and the provision of public education.

However, Saxony’s list of state aims is, compared to those of the other East German Länder, comparatively short (Kilian, 1997). The Saxon aims include the provision of some basic social needs (jobs, adequate accommodation, and education; Art. 7 VFS); gender equality (Art. 8 VFS); the protection of minors (Art. 9 VFS); the protection of the environment (Art. 10 VFS); the promotion of arts, culture, science, and sports (Art. 11 VFS); and – uniquely among the Staatsziele of the German Länder – cross-border regional co-operation (Art. 12 VFS). Article 13 VFS states that the Land has the duty to do the best it can to implement the above aims, and to shape its state actions accordingly. A possible justification for the establishment and constitutional proclamation of state aims would be that there is a broad consensus in the society as to which features of the daily life of this society ought to be promoted. Indeed, who would be prepared to state publicly that he or she is against jobs for all? Or, for that matter, against cross-border regional co-operation? Appropriate or not, to the extent that political ambitions and wishes are promoted to constitutional status it is justified to claim that vested state interests have been established.

This process of actually vesting interests can equally well be described as centre-building by declaration of intent: a regional decision-making institution becomes a centre of activity by just getting on with the task at hand and publicly demonstrating what is being done. Such activities may, however, be hindered by the lack of meaningful legal means of implementation and enforcement.

Given the forceful and self-confident style displayed by the Saxon government with regard to constitution-building, one would reasonably expect the same phenomenon to occur with regard to the development of public-private relationships in Saxony. After all, a centre of decision-making that is insufficiently prepared to engage in relations with partners in the society marginalises itself (and hence ceases to be a centre). However, public-private relations in Saxony do not quite work along these lines.

One can from the outset observe two reasons for this. Firstly, the key element in developing new public-private relationships was the privatisation of state-owned East German companies – and that was a federal task, conducted by the Treuhandanstalt (THA). Beyond this task, the Saxon scene was virtually deprived of any meaningful private actors, with new indigenous businesses and private interest organisations emerging only very slowly. So, secondly, the government had to be grateful for any activities at all by the private and voluntary sectors developing in Saxony. After all, a vibrant economy with high levels of employment is among the Staatsziele. Therefore, the exercise of too much control was seen as counterproductive at the time – hence the government’s reverse policy of not only giving private economic interests a free reign, but actively suppressing those private interests judged to be not in a position to contribute meaningfully to the Saxon economic and social progress. In the early post-unification days, all East German Land governments were busy sorting their own legal and administrative system out, while public-private relations were dealt with at the federal
level by the THA, and, to a much lesser extent, at the local level. During late 1990 and early 1991, the THA’s reign was supreme in this field, and Land governments basically did what the THA wanted. However, over time this shifted considerably as the THA’s work neared completion.

The Saxon government, in the early days, was keen to secure its influence on the economic re-development process of their Land by buying shares in some larger companies, in particular transport and infrastructure-related assets, and the utilities. The manufacturing industry’s pleas for Land government involvement, however, were turned down flatly: for the government to buy assets in the manufacturing industry would be contradictory to the main aim of privatisation. So the government, in particular the Staatsministerium für Wirtschaft und Arbeit (Ministry for Economics and Employment, SMWA), confined itself to helping with the promotion of Saxony as “a place with a future”

, providing contacts, negotiating deals, and in general creating a political atmosphere of optimism and progress, however artificial. So the government embarked upon a very careful policy of non-interference in economic affairs – an approach not a million miles away from certain Thatcherite ideas. Nevertheless, such thinking seems to be a logical and rational policy approach if a free marked economy is to be created from scratch, and one has to acknowledge the Saxon government’s persistence in achieving this end. This, most of all, is the main Saxon result in the quest for new public-private relationships: neo-liberalism had a field day. To this extent, Prime Minister Biedenkopf’s economic development policy became Saxony’s answer to Thatcherism. Indeed, key elements, as defined by Jessop et al. (1988) were all there: a commitment to deregulation and to applying commercial criteria to state activities; some sponsoring of inward investment, i.e. mostly coming up with matched funding for the EU’s ERDF and ESF grants; and conducting a long-term promotion strategy of the region. Financial de-regulation matters were outside the remit of a Land government, but this is not to say that the government could not do its bid to promote the Euro. However, the government curbed its efforts in the latter direction once it realised that it would not go down too well with most Saxons.

However, the business community was less grateful than could have been expected. The main reason for this is that the German business community, having participated in West German corporatism for decades, was accustomed to turn to the government for help – usually tax breaks or even straightforward subsidies – in time of need. Biedenkopf’s government, on the other hand, was helping them by other means – keeping critics and social interest groups at bay – but left businesses to their own devices. This was to a large extent a new experience for them. The one time the Saxon government did open their coffers – in the ill-fated Volkswagen deal – they clearly did get it wrong (Thielemann, 1999).

A most important role the Saxon government defined for itself in the field creating new public-private relationships was to offer their good offices for all kinds of contact-making, mediating and negotiating services for the establishment partnerships among private partners both within Saxony, and across the Saxon borders. After all, the

11 Interview, SMWA, 1996.
development of cross-border interregional co-operation is a Staatsziel, and one which the Biedenkopf government took very seriously indeed. This goes in particular for interregional relations across the Czech and Polish borders, culminating in the establishment of three EUREGIOs along these borders. Here, we clearly see an act of centre-building by doing, using political offices to facilitate economic service provision.

One key focus in cross-border co-operation was the improvement of transport links. The governments concerned, the local public actors and the private sector – the latter at least on the implementation, i.e. construction side – ran these development initiatives as a truly joint task of public-private partnership. The large-scale projects of improving road and rail links would have been impossible to fund from private initiatives alone, while public actors needed technical expertise and implementation capabilities. The best-known example in this field was the creation of a new rail link between Dresden and Prague designed to transport lorries across the mountain ranges dividing Saxony and the Czech Republic, the Erzgebirge and the Elbsandsteingebirge, with their notoriously small and overcrowded pass roads. The route has an additional importance as a transit link between central Germany and the countries of East-Central Europe.

In general, however, Saxony’s policy of improving cross-border relations, across an outer border of the EU, seem to have benefited the economies of the partner countries more than they have benefited the Saxon manufacturing industry. The emerging trade patterns (see Table 2) reveal that the Saxon export deficit with non-EU European partners, though becoming smaller while showing a significantly increased volume, has only recently become more than counterbalanced by an export surplus in the trade with EU partners. The Russian figures are somewhat misleading: the large Saxon imports consist almost entirely of oil and gas. However, the Saxon export deficits in the trade with its immediate neighbours\(^\text{12}\) must be regarded as indicative of Saxony’s commercial buyer’s and individual consumer’s desire to make the most of the comparatively low prices for goods and services across the border. Saxony’s own industry, however, is only now beginning to establish new or regain old markets that were lost with the breakdown of the COMECON. Nevertheless, in buying from non-EU countries and selling to EU countries, the Saxon economy has indeed started to develop a kind of bridge function – though traffic across that bridge is not quite moving in the expected direction: Saxony’s economy, in effect, behaves like an applicant country’s economy – and to some extent rightly so. In terms of business patterns, legacies of the COMECON past are reinforced by new needs and desires for development – including getting a strong foothold in the Common Market.

\(^{12}\) 1999 was the first year since 1990 that Saxony has had a positive balance of payments with Poland.
Table 2: Volume of Saxon Foreign Trade with Selected Countries, 1995 and 1999
(in m DM)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>to / from Czech Republic</td>
<td>404.1</td>
<td>755.9</td>
<td>831.9</td>
<td>1375.8</td>
</tr>
<tr>
<td>to / from Poland</td>
<td>325.6</td>
<td>669.2</td>
<td>487.7</td>
<td>629.6</td>
</tr>
<tr>
<td>to / from Slovakia</td>
<td>85.1</td>
<td>184.1</td>
<td>301.7</td>
<td>201.0</td>
</tr>
<tr>
<td>to / from Russia</td>
<td>695.2</td>
<td>419.4</td>
<td>1,167.5</td>
<td>986.4</td>
</tr>
<tr>
<td>to/ from the USA</td>
<td>261.0</td>
<td>1346.9</td>
<td>417.4</td>
<td>965.0</td>
</tr>
<tr>
<td>to / from EU Countries</td>
<td>5,789.0</td>
<td>9105.4</td>
<td>3,042.6</td>
<td>3718.3</td>
</tr>
<tr>
<td>to / from European non-EU Countries</td>
<td>1,341.9</td>
<td>3552.1</td>
<td>4503.3</td>
<td>4690.2</td>
</tr>
<tr>
<td>Total (all countries)</td>
<td>7,130.9</td>
<td>16,970.9</td>
<td>7,545.9</td>
<td>10,724.7</td>
</tr>
</tbody>
</table>

(SLA, 1997 and 2000)

A final point to note is that a relatively successful act of managing public-private co-operation was achieved by the Saxon government with regard to channelling ERDF and ESF funds to private actors in the sphere of R&D measures. The political responsibility lay with the Technology and Energy Division of the SMWA. For the purpose of handling applications and supervising projects a special semi-public actor, the *Projekträger Technologieförderung*, was set up in Dresden. Such a step was unusual in the Saxon context; in other fields such as infrastructure-related measures, attracting inward investment, and general SME support (e.g. the *Mittelstandsförderungsprogramm*) the government normally left it to sub-regional and local public actors to set up or hire such agencies, e.g. *the Mittelständische Beteiligungsgesellschaft Sachsen mbH* and the *Wirtschaftsförderung Sachsen GmbH*, if those sub-regional or local bodies choose to do so.¹³

On those sub-regional and local levels, hiring of outside expertise emerged as the standard solution, saving the city or *Regierungspräsidium* considerable planning effort. In most cases, relationships between the public actors and their private agency partners were amicable indeed. In Chemnitz, for instance, the *Regierungspräsidium* and the leading sub-regional development agency even share the same building. However, in other cities, e.g. Leipzig, this led to a significant amount of competition among a whole host of both larger (Saxony-wide) and smaller (local) private agencies for such contracts.

In short, the Saxon way of managing regional development projects was, and still is, to establish or facilitate direct public-private co-operation – although not necessarily on the *Land* level – as far as possible without resorting to founding semi-public actors. The political rationale behind this principle is that the government retains a direct influence in the implementation of policies, while private actors are able to obtain and

cultivate direct access to political decision-makers. Here we are back at the beginning, though, with the government deciding who – in their opinion – is worthy of such access. Under these circumstances, the regional development effort in Saxony has developed into a management game for “insiders” and specialists.

3. Conclusions: Towards a new understanding of “Centrality”

The Saxon solutions for overcoming a series of disadvantages associated with a somewhat peripheral. Indeed, the structures developed in Saxony allowed a rapid and forceful decision-making process to develop, and on the whole larger private actors, capable of delivering resources of their own, have benefited from this system. Thus, meaningful centres of decision-making have been established which go beyond simple governmental institution-building and a merely formal transfer of powers. We have seen a significant transfer of functions. When appropriate, sub-centres in the outlying sub-regions have also been established and endowed with a clear, functional brief – but without all-encompassing responsibilities and powers because they were not needed on that particular level for the conduct of the task at hand in the Regierungsbezirke, and, most importantly, without relinquishing political control over the decision-making processes.

So, indeed, “periphery” is a relative term, directly dependent on what is defined as the “centre”, and the definition of what constitutes a centre is subject to change, depending on the business or functions conducted there. And yes, from a functional point of view the existence of multiple, interdependent centres involved with the same task is not an element of instability or bone of contention, but, to the contrary, a practical necessity and – from a theoretical point of view – an indicator for MLG really coming into its own, with tangible evidence for this type of governance really being practised.

Saxony may not be an ideal example in this context, but apparently Prime Minister Biedenkopf has duly noted the need to say farewell to traditional centre-periphery definitions and the political claim-staking and demand-making that goes with it. Moreover, good working relationships between interdependent centres of decision making is essential, but above all it is the policy contents that makes the difference between success and failure:

“I think that we ought not to concentrate our efforts on either a policy of equalisation [with the West German Länder – J.M.] or a policy of self-determination, but rather we ought to embrace elements of both. We can do this best by first defining the Saxon way; when we say what we here in Saxony can achieve, when we define our own aims for the future and the way-points leading there, and then but this into a larger perspective [of Germany and Europe – JM]; when we realise our capabilities as well as our limits; and when we set for ourselves proper, i.e. realistic targets. Realistic targets are achievable, utopian targets disappoint. Realistic targets encourage, utopian targets frustrate.” (Biedenkopf, 1998:45).

14 Interview, SMWA, 1996.
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