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"Territorial Regulation and the Vienna Region: a historical-geographical overview"1

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1 We wish to thank Ed Bergman, Johannes Jäger, Hans Pühretmayer and Franz Tödtling for their useful comments.
Regulation theory has gained a lot of credits for conceptualising the present crisis of capitalism that followed the "golden age" of the two post-war decades (Dunford 1994). Although it started analysing fordism at a time, when it already was in crisis, regulation theory has concentrated on studying phases of institutionally stabilised accumulation, like fordism (Aglietta 1979, Boyer 1986). Soon, analysts claimed that the stable phase of fordism was substituted by a new mode of development, flexible specialisation (Piore and Sabel 1984). As time passed by, it became clear that this supposed new stability did not materialise. Neither Piore and Sabel's global keynesianism nor neoliberalism were able to end the capitalist crisis of growth and productivity. Nevertheless the conceptual framework of regulation theory was attractive enough to start a discussion about the relationship between the new and the old, between fordism and its - unknown - successor (Amin and Robins 1990, Benko and Dunford 1991, Jessop, 1992, Lipietz 1991, Lovering 1990, Sayer 1989).

Our paper, therefore, has conceptual and empirical objectives. Empirically, we want to make a first collection of relevant studies on Viennese economic and political development and integrate it within the conceptual framework of regulation theory. Unfortunately, in Austria little work that is based on a regulationist framework has been done on Austrian political-economic development. Worse, however, is the situation for its capital city, Vienna. Contrary to other central cities of german-speaking Europe - Frankfurt and Zürich (Hitz et al. 1995) - there are as far as we know only few empirical contributions of regulation theory (f.e. Banik-Schweitzer, 1996).

Theoretically, we are more ambitious as we will use a historical-geographical approach. Historically, most analysts concentrate on analysing the last decades, by this limiting analysis to the periods of fordism and its transition to postfordism, forgetting to look at the more remote past. Until recently, even within regulation theory economists and political scientists continued to neglect sub-national developments. Within geography interest was much concentrated on regionalised modes of development within the "industrial district" framework (Storper and Scott, 1992, Garofoli 1992). As far as urban studies are concerned, however, studies with a regulationist approach have been an exception (Goodwin et al., 1993, Keil 1993, Hitz et al., 1995). In our analysis we want to study the historical and geographical layers (Massey 1984) to get a better understanding of the decisive forces of development and their relationships.

Following Fiori (1995), we will look at the interrelationship between accumulation strategies and centralisation/decentralisation of the state and the ensuing strategies of the local government. On the one hand, accumulation strategies impact on the relationship...
between economic space and political territory as well as on the regional homogeneity/heterogeneity of the national social formation which influence the range of choices in regard to the centralisation/decentralisation of the state and the strategies of different territorial levels of the state. On the other hand, state strategies influence accumulation strategies. A first glance at the modern history of Austria shows that there were at least four relevant periods which resulted in two relatively stable and two relatively unstable modes of regulation. The unsuccessful tendencies towards centralization in Habsburgian Empire were followed by a fragmentation in small politically independent, but economically disintegrated nation states and the world-wide known experiment of local socialism, "Red Vienna". Fascism itself will not be treated as a proper period, although its long-lasting economic and political repercussions are obvious. The defeat of fascism led to a more successful form of nation building and national centralisation after the war. In the last years national regulation, as is well documented, entered in crisis in Austria too, due to processes of globalisation and fragmentation. In the following, we will try to analyse these developments in more detail.

1. Habsburg Empire: centralised non-national territory

1.1. Extensive accumulation and a weak bourgeoisie

The economy of the late 19th and early 20th century of the Habsburg Empire was characterised by an extensive regime of accumulation. The capital goods industry and the consumer goods industry were not closely interlinked. A considerable part of consumer goods were still produced under at best semi-capitalist conditions. Large parts of the population were engaged in petty commodity production. Therefore, a mass market for consumer goods did not exist. Wages were regarded as a cost factor only, not as a demand factor. In so far, the general traits of the accumulation regime showed unambiguous similarities with many other states in Western and Central Europe. There were, however, some remarkable differences as well.

In Habsburg Empire, the capital goods sector was less developed than in states like Germany, France or Britain. The electrical engineering and chemical industries were controlled by German capital and were dependent on German technology. Consumer goods industries (esp. textiles and food) made up for a large part of industrial production (Gross 1985: 232 et seq.). The industries were concentrated in a few locations, mainly in the Western part of the Empire (today’s Austrian and Czech Republic). At the beginning, new, technologically
<table>
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<td><strong>1867 - 1914</strong></td>
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<td>Crisis of accumulation * blocked accumulation * high export orientation (but diminished external outlets) * large sector of petty-commodity production * restricted domestic market</td>
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<td><strong>1938 - 1945</strong></td>
<td>war economy</td>
<td>* fascist state * autonomous German currency * authoritarian regulation of labour market and forced labour * monopolist competition</td>
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<td><strong>1945 - 1986</strong></td>
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advanced industries requiring a highly skilled workforce were mainly located in large urban centres which could offer an appropriate work force, e.g. electrical engineering industry in Vienna. Due to the natural resource base, heavy industries were built up mainly in Bohemia which grew increasingly important in the industrial field from the late 19th century onwards. The consumer goods industries were geographically distributed in a more even way. Nevertheless, the Eastern, Hungarian part of the empire was, except for a few industrial centres, like Budapest and Kosice, largely rural and hardly industrialised. Its wealthy strata (the large Hungarian nobility and groups of the urban population) provided a ready market for Western industries. In so far, the Eastern Habsburg Empire was functionally close to an internal colony. It is, therefore, not surprising that the industries in Western Habsburg Empire showed little export orientation compared with Western European industries though there were exceptions like industries in Northern Bohemia geared towards the German market (Gross 1985, Good 1986).

Like in other Central European states, banks played an extremely important role in fostering industrialisation. They were involved in founding industrial companies and in their everyday financing. Through shareholdings and interlocking directorships the banks were intimately linked to industrial corporations. In contrast to Britain, France, and Germany, Habsburg Empire was not exporting monetary capital on a significant scale, since the banks found outlets within the heterogenous Empire and did not embark on deliberate strategies of commercial and financial penetration of foreign territories as the German banks did in close cooperation with industrial corporations. 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 nobility continued to exercise a decisive influence (Banik-Schweitzer 1983: 11 et seq.) and their alliances were different from other European countries. 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. They shared an interest in preserving the multinational, economically and socially heterogenous Empire. These financially potent groups invested principally in industries related to agriculture and in transportation. It was difficult to obtain bank loans for investment in dynamic sectors, like electrical engineering and metal-working. These sectors were soon dominated by foreign firms. 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. The central government in Vienna sought, however, the compromise with the Hungarian national movement which was increasingly divorced from the democratic movement. In 1867, they agreed on an "Ausgleich" which gave the Hungarian half of the Empire a large degree of autonomy, even in the economic field. More or less underground national movements subsisted, however, in different parts of the Empire and aimed at achieving national and bourgeois emancipation.

1.2. Vienna, a globally oriented, increasingly active world city

Politically and financially, 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. Budapest and Prague were only secondary financial centres. Viennese banks were to a considerable extent able to shape the industrial development in Habsburg Empire.

As an industrial location, Vienna was not so dominant in the Empire as in the financial field. Production of products in a later phase of their product cycle, like the textile industry with its high demands on space and its centralised production process (loom), began to leave Vienna as early as mid-19th century (Meiβl 1983: 116). They were substituted by new industries, especially mechanical engineering industry that began to boom due to the railways construction. The respective industry concentrated in Vienna due to the existing know-how but also because the railway-network of the Empire had its natural node in Vienna. From the middle of the century onwards there can be observed an increase in the size of manufacturing, especially in the industries related to the railway-sector: metal-working and machinery.

In another sector, clothing, decentralised small-scale production was possible due to the invention of the sewing machine. Fashionable cloth with its short production cycles was produced in small sweat shops with a high female participation rate which enabled a low-cost production in a highly urbanised environment. In this new organisational setting of outsourcing production, small-scale-producers were economically subordinated to a few large firms. In the case of fashionable cloth, Vienna itself provided an important outlet, but in many other branches production was geared towards the whole Habsburg Empire. In general, small-scale production was more wide-spread than in many West European industrial centres or in
State owned enterprises played an important role in the Viennese industrial structure, mainly in the military field that was concentrated in Vienna (Meißl 1983: 120). At the end of the century, electrical engineering industry became a leading sector. It was concentrated in pre-war Vienna, consisting in large part of foreign direct investment (FDI) (Siemens, AEG, Brown Boveri). In 1890 and 1910 57% resp. 49% of all workers engaged in the electrical engineering sector in the Western part of the Habsburg Empire were employed in Vienna. The concentration ratios in the more established consumer goods industries were not that high (Banik-Schweitzer 1996: 39 et seq.). To sum up, it was mainly industries based on new technologies that had to rely on large agglomerations with their large pool of highly qualified labour and their research institutes.

Politically, due to highly restrictive election laws (Lehnert 1996: 95 et seq.), 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, building an aqueduct from the alps to Vienna. 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. 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-declared "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 controlled change, executed from above.
2. Fragmentation of the centralised Empire (1918-1945)

2.1. Crisis and orthodox stabilisation policies

In Europe and the United States the inter-war years were characterised by a structural crisis, as the accumulation regime became incompatible with the mode of regulation. First in the USA, later in Europe, industrial mass-production was introduced (though to varying degrees). Mass production did, however, not find a mass market. Mass incomes were instable. Wages were downwardly flexible, social security systems still in its infancy. In Europe, large parts of the population were still engaged in petty commodity production, at times agriculture remained almost at subsistence levels. The state did not stabilise demand. Thus, industries tried to follow aggressive export strategies. These strategies were backed up by deflationary state policies attempting to cut wages, esp. in the 1930s (cf. Mazier et al. 1993). This ended in an internationally unregulated cut-throat competition. In states where the exhaustion of the old development model was most obvious, capital resorted increasingly to speculative financial investment, a phenomenon quite typical of structural crises (Arrighi 1994). The structural crisis came into the open from the late 1920s onward.

Inter-war Austria shared some of the structural features of the crisis and was quite vulnerable to crises in other countries. The Habsburg Crown's attempt to preempt the disintegration of the Empire by entering World War I ended in the dismembering of the Empire. The break-up of the Empire entailed grave consequences for the Austrian economy. 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 policies of the Austrian government did not help in the transition.

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. The governments, bankers, and industrialists of these states, however, sought to break lose from Viennese control. The Viennese banks' strategies geared towards the economic space of the former Habsburg Empire proved to be built on political illusions and turned out to be costly failures. The banks financed long-term commitments with short-term credits.
This was only a viable strategy as long as foreign lenders did have trust in the Austrian financial system and were able to lend to Austrian banks. Both ceased to be the case from the late 1920s onwards. On the one hand, Austria's financial system was deeply affected by the U.S. crisis, and, on the other hand, 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. Creditanstalt had run up losses to the tune of 10 per cent of Austria's GNP (Kernbauer et al. 1983, Weber 1995a). Thus, the rehabilitation of the banking sector in the early 1930s proved extremely costly and turned out to be very prejudicial to all other sectors of the Austrian economy (Stiefel 1988).

The tight monetary policies entailing high interest rates and the restrictive budgetary policies favouring mainly financial capital and a few sections of the petty bourgeoisie and being pushed through politically with the decisive support of the League of Nations did not only fail to stem the financial crisis, but did actually sharpen the structural problems of the Austrian economy. Austria inherited a disarticulated, geographically very unbalanced industrial structure geared towards a much larger market of the former Empire. The successor states did follow protectionist policies, so that Austrian industry lost outlets in Eastern Central Europe. The share of successor states in Austria's merchandise exports declined from 58.6% in 1920 to 31.7.% in 1937 (Weber 1995a: 32, Tab. 6). Austrian industry was not highly competitive in other markets, and the high interest rates made modernisation an extremely costly undertaking. Thus, there was not much of an alternative to Eastern Central Europe for Austrian industrialists. The share of final industrial product in commodity exports declined from 83% in 1923 to 70% in 1932 signalling a "reprimitivisation" of foreign trade (ibid.: 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. These problems are reflected in an oscillating export quota (defined here as merchandised exports to GNP) which was about 20% in the late 1920s, tumbled to 8% in 1932 and rose again to 12% in 1937 (Kernbauer 1995: 568).

The domestic market did not prove to be an alternative either. Due to the extremely restrictive budgetary policies, investment of the central government was extremely low. The conservative governments, backed by foreign interests, did its best to undo 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 the extremely restrictive 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 interwar years. From 1913-1929, the GNP growth rate amounted to 0.3 % in Austria compared to an average of 1.6% in the four successor states and 1.9% in Europe, in the period 1929-1937 Austrian GNP shrunk by 1.8% per year whereas from 1929 to 1938 the average growth rate in the four successor states was 0.4% and the European average was 1.1% (März 1995a: 29, Tab. 4, cf. Stiefel 1988, Kernbauer et al. 1983, Weber 1995a). It is not surprising that under these circumstances the new Austrian nation state had severe legitimation 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 financial interests (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 contradictory interests to German capital tended to be downplayed. There were, however, serious obstacles to both options. For a long time, the victorious powers prevented Austria by various means from effecting an "Anschluß" to Germany. On the other hand, the Danubian states were quite unwilling to return under the tutelage of Vienna (cf. e.g. Rásky 1995).

2.2. "Red Vienna" and a local economy without hinterland

The incessant discussion about "Anschluß" and Danubian Confederation were just one facet of the territorial question. Immediately after World War I, the historical "Länder" which embodied quite different socio-economic conditions reemerged demanding regional autonomy (and in the case of Vorarlberg and Tyrol even contemplating secession). In the end, the centralised bureaucracies of the old Empire prevailed allowing only for the institutionalisation of a rather mild version of federalism. 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 "autogol-
pe" and established a centralised austrofascist regime (cf. Tálos and Neugebauer 1988).

In 1918, Vienna was the only metropolis within what was left of Austria. It lost, however, some of its status. It lost its macro-regional financial, industrial and political functions though it maintained these functions at the national level. The loss of its hinterland entailed a grave crisis in Vienna. Unemployment was high, population decreased from 2.120 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 (SDAP) was able to take over the city government signalling a shift of local power. SDAP followed new policies which at least dampened the local economic crisis and improved living conditions considerably (Öhlinger 1993). At the core of socialdemocratic policies was an extremely ambitious housing programme. 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 amounted to ATS 817.2 mn compared to ATS 738.2 mn 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. Their national strategy aimed at gradually moving towards socialism - "Austromarxism". As the national government was conservative, all intellectual and political efforts of the party and its social movement 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 a party organisation: work place, sports, culture, leisure ... (Maderthaner 1993). The city, respectively the party, took over the responsibility of delivering all relevant services to the population, especially the popular classes.

Especially after 1927, social democracy was isolated at the national level. Governing nationally became a very remote option. Vienna became increasingly isolated and the conservative government started a deliberate strategy of centralisation. Its core was the so called "fiscal march at Vienna". The conservative strategy was successful and together with 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 civil war
2.3. German Fascism (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, it 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, Kernbauer and Weber 1988, Moser 1996).

The NS regime created in 1939 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 (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, although an astonishingly large number of famous thinkers was born in Vienna.


3.1. Supply-side Fordism

With the immediate post-war years, the social balance of forces and the direction of policies changed decisively in Western Europe (already a bit earlier in the USA). In marked contrast to 1918, even large parts of capital understood that reforms were unavoidable. The Soviet
Union and Communist Parties had won much prestige. Under the new circumstances, capital was more amendable to compromise with the labour movement. The new compromise included a considerably enhanced social security system, new patterns of labour relations based on collective bargaining and an active demand management. This enabled the absorption of the petty commodity production, e.g. agriculture, into the thoroughly capitalist sector which entailed an enlargement of the domestic market. Market enlargement was conducive to a rapid growth in labour productivity. In many countries, real wages increased in line with labour productivity. Thus, a **virtuous cycle linking mass production and mass demand** was established. Capital goods and consumer goods industries were much more closely interlinked. The extensive was turned into an **intensive regime of accumulation**. This transformation critically hinged on the low level of the internationalisation of economic relations, esp. the low ebb and tight control of capital movements. Capital was not able to bypass the national political compromise. National demand management was highly effective. International trade, however, was increasingly liberalised in a stable multilateral framework and increased rapidly.

The geographical pattern of trade changed significantly. Corporations embarked on strategies of monopolistic competition targeting markets in other industrial countries which were significantly enlarged in the framework of fordism. Foreign direct investment followed a similar pattern (Roth 1984). Flows of financial capital were, however, strictly controlled until the 1960s. In Western Europe, regional economic integration based on intra-regional trade and capital flows and political integration proved to be mutually reinforcing (Becker 1996b).

In contrast to the inter-war years, fordism was a "golden age" (Marglin and Schor 1990) of Austrian capitalism. Real per capita GDP grew by 4.9% per year from 1950 to 1973 compared with a West European average of 3.8% (and growth rates in the successor states varying from 3.1% in CSSR to 4.4% in Yugoslavia (Maddison 1995: 62, Tab. 3-2).

The Austrian version of fordism had its own peculiarities. Like post-fascist fordsisms of Italy and Germany, Austrian fordism was initially built on supply-side policies, cheap and docile labour, and exports to other Western countries enlarging their domestic markets (Salvati 1984, Abelshauser 1983, Altvater et al. 1979, 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). Their development was backed up by ERP funds. 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 n.d.).

Based on comparatively cheap and docile labour, Austrian industries specialised increasingly in the provision of a changing range of cheap inputs to fordist industries in other Western European states, esp. Germany. From the 1970s, foreign direct investment in Austria focused mainly on supplier industries. The export quota (merchandise exports/GDP) increased from 12.6% in 1950 to 19.0% in 1973 and eventually 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 the 1960s basically in line with the labour productivity. 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, cf. also Marterbauer 1991). Petty commodity production was increasingly absorbed by the capitalist sector (Hlawetz 1996: 110). Thus, domestic mass demand arose as did industries geared towards this demand. Nevertheless, consumer industries remained dominated by small-scale and medium-scale enterprises and compared with other Western European countries were rather traditional in outlook (Aiginger 1989).

State policies sustained demand. Regional policies were aimed at reducing regional inequalities. 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.

The post-war dispensation rested on a new social alliance between (productive) capital, middle strata and organised labour. This alliance had its organisational expression in the formation of broadly based coalition governments and the establishment of neo-corporatist institutions which made Austria a model of neo-corporatism (cf. e.g. Gerlich et al. 1985, Tálos 1993). In the neo-corporatist framework, decision-making was highly centralised and top-down. This organisational set-up was highly functional in finding comprehensive com-
promises covering various fields of economic policies. Political stability resulting from neo-corporatism and high growth facilitating the accommodation of disparate social interests proved mutually reinforcing. In the context of high economic growth and political stability, the Austrian nation state finally won a high degree of legitimacy (cf. Hanisch 1994)

In spite of regional homogenisation and the centralised neo-corporatist system, the Länder were from the mid-1970s onwards able to slightly reinforce their political authority which was quite untypical for fordism (Pernthaler 1988). This might be explained by the desire of the conservative Austrian People’s Party (ÖVP) to enhance its political position. ÖVP was strong in most of the Länder, but declining in force at national level. The policies of the Länder were, however, much more homogeneous than in the inter-war period.

3.2. Vienna as the national centre of a nationally oriented economy

Vienna lost even more of its centre status in the fields of finance and industry. 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. The westward move of the economic dynamics initiated by fascism was to the detriment of Vienna. With state-owned firms located in the West Viennese industry concentrated on the national market. After World War II this was, contrary to the inter-war years, a strategy chosen by national actors given the realities of the cold war. Vienna, near to the Iron Curtain, was cut off from its hinterland. Bratislava, the Slovakian capital with some 500,000 inhabitants, is only 60 km away from Vienna. The agglomeration advantages remained unused due to the political setting of the cold war.

In the 60s firm strategies and regional policy measures incentivated industrial decentralisation. 1960-1966 plants were set up around the core area of Vienna, but latter also in the peripheral parts of Lower Austria (Tödtling 1984: 406). This resulted in employment dispersion, not, however, in a decentralisation of control. Within the national boundaries, there was a high degree of spatial concentration of economic 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 (Tödtling 1984: 404). Comparing data from 1973 with those from the 1981 census shows that the fordist pattern of center-peripheral within a national economy began to dissolve. Vienna’s position as a center of organisational control deteriorated in 1981 to the advantage of smaller national agglomerations. Whereas Vienna controlled 232,000 jobs in Austrian branch plants (71% of all externally controlled emploment), in 1981 it controlled 35,000 jobs less and its share fell
to 58% (Maier and Tödtling 1986: 1218). Within the Vienna economy, there could be observed the takeover of endogenous plants versus multinational firms.

Politically, after World War II, socialdemocracy again took over local government. But the rupture of the war was severe. Most of the intellectuals that had sustained innovative urban policies did not return. The cultural and intellectual climate of the inter-war years, not to speak of Fin-de-Siecle-Vienna, was definitively destroyed. The costs of this tremendous loss could be hidden for decades. Growth made the delivery of social services at the local level - housing, education, health - possible. This was the main function of the local state. The relationship to civil society changed, too. Whereas during the inter-war-period, it was the party organisation that was the key institution of civil society and guaranteed the transmission of the popular will to the political system (urban politics), in the post-war period, due to the Great Coalition a rapid process of depolitisation was observed. The party was depoliticised and turned into a vehicle of clientelism. The socialdemocratic local government and its city bureaucracy directly satisfied the material needs of the population. Concerning other parts of civil society, socialdemocracy pursued a successful strategy of cooptation; civil society was "etatisised". The administration gave financial support to potentially oppositional forces, by this avoiding an open opposition of critical civil society.

But political strategies were no longer elaborated at the local level. Vienna was no exception to this rule. Now it was at the national level that keynesian policies were implemented, first by predominantly conservative-led great coalitions and from 1970 onwards by a socialdemocratic government. Local policies followed the national pattern. In Vienna, too, 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 in two parallel strategies: First, the local chamber of commerce protected the local economy by severe bureaucratic hindrances for newcomers. Second, the socialdemocratic finance secretary tried to attract big foreign investors, like BMW.

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 context. They were able to convince several important international organisations, like the UNO, OSCE, OPEC, to choose Vienna as an administrative centre.
4. Globalisation, regionalisation and decentralisation (from 1986 onwards)

4.1. Crisis of overaccumulation and neoliberalism

In the late 1960s, early 1970s, the "golden age" of post-war capitalism came to an end. The petty commodity production had largely been absorbed by capitalism. Demand for durable consumer goods showed symptoms of saturation. The productivity reserves of fordist labour organisation had almost been exhausted, growth of labour productivity slowed down considerably. Full employment had strengthened the labour movement. Capital came to fear a permanent swing to the left in the wake of large-scale labour strikes and students demonstrations in the late 1960s.

Capital reacted in several ways to the changing circumstances, rationalising and reorganising production and administration. In the wake of these reorganisations, the labour force has become more differentiated - entailing a weakening of the unions - and production has tendentially been flexibilised. It seems, however, premature to talk about the establishment of a new model of production (cf. Durand 1993).

Corporations increasingly internationalised their production. New communication technologies proved to be a major support to these internationalisation strategies. In case of flexibilised just-in-time production, corporations often sought to locate cheap production facilities close to their main locations within the poles of the triade (Chesnais 1994: 106). Since the mid-1980s, FDI in services (esp. in banking, insurance, and telecommunications) has increased significantly as well. Both FDI and international trade showed a marked trend towards intra-regional concentration (Chesnais 1994: 188, 197). The most notable trend has been, however, the shift from productive to financial investment which could already be observed in the past as indication of the exhaustion of the mode of development (cf. Arrighi 1994). The rapidly expanding financial markets became increasingly global in character since the new communication technologies enhanced the international mobility of financial capital and since the financial intermediaries had successfully pushed for a liberalisation of capital flows and deregulation of the financial markets.

Through internationalisation, national governments' room for manoeuvre was reduced. The social and political balance of forces shifted to the right. Trade unions were weakened. The increasing number of unemployed and the non-core labour force was socially and politically marginalised. Capital pushed through new patterns of regulation. National policies have become mixtures of measures aiming at attracting highly volatile financial capital and
targeting at an increase in international competitiveness in the production sphere. The measures propelled by different social blocs centred around financial intermediaries and productive capital respectively, were however partially contradictory. For example, high interest rates were instrumental to attracting financial capital, but proved to be an obstacle to productive investment. The strategies converged, however, in the attempts to cut wages and to dismantle the welfare state (cf. Becker 1996a).

The logic of regional integration shifted in the same way (Becker 1996b). Changes in the Austrian regime of accumulation and mode of regulation came about with a considerable time-lag and in a hesitant way. 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. Neck 1990, 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 (Aiginger 1989, Guger 1993: 234-237). Parastatals were modernised. Compared to other Western countries, but in line with German developments, the Austrian financial sector remained rather controlled, 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 between 1976 and 1984 (Oesterreichische Nationalbank 1995a: 83). The Austrian mode of development in the 1970s and early 1980s was characterised by a rather strong continuity of the "golden age".

Compared to other OECD countries, macroeconomic performance was good. 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 (ÖStZ 1993: 477, Tab. 6.06).

Since 1986, the Austrian governments have followed a more unequivocally extraverted economic policy. International developments played a major role in this policy change. 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 (cf. generally Fitoussi 1995). The EEC entered a new phase with the proposed Single Market project which was to make European industry more competitive internationally. 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.).

"The "opening" of Eastern Europe in 1989 brought about one of the strongest shocks caused by the external environment for Austria since WWII. New chances and threats emerged and paralleled Austria's West European integration process, thus putting heavy restructuring pressure on Austrian firms", as Bellak concludes (1995: 25). These international developments did not only exert economic restructuring pressure on Austrian firms, 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 are business (esp. export oriented fractions and financial intermediaries) and upper middle strata.

Austrian capital banked more on extraversion. Since 1988, there has been a major surge of Austrian FDI which had been insignificant before. Austrian FDI stock abroad increased from ATS 20 bn in 1988 to ATS 111 bn in 1994 (estimate, Oesterreichische Nationalbank 1995b: 112 et seq., Tab. 10.2.0). 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 from 27.8% in 1985 to 16.0% in 1993 (nominal capital, Oesterreichische Nationalbank 1995c: 10, Tab. 2.1, Bellak 1995: 25). Austrian companies responded quickly to the opening up of new opportunities in Eastern Europe, thus, 20.2% of FDI stock (nominal capital) was located in Hungary in 1993 (Oesterreichische Nationalbank 1995c: 10, Tab. 2.1). Since 1992/93, the Austrian corporations have, however, lost market shares in FDI in Eastern Europe to other OECD countries (Stankovsky 1996) what is not surprising since Austrian companies responded exceptionally quickly to changes in Eastern Europe and the predominance of SMEs is an
impediment to large scale FDI. Austrian FDI was concentrated in a few sectors (banking 18%, oil & chemical industry 12.8%, metal goods sector 9.2% in 1993, Oesterreichische Nationalbank 1995c: 48, Tab. 19.1a).

Growth of FDI in Austria was not that spectacular with stocks increasing from ATS 89 bn in 1988 to ATS 152 bn in 1994 (Oesterrreichische Nationalbank 1995b: 112 et seq., Tab. 10.2.0) which continued to originate dominantly from German corporations (35.4% in 1985, 37.8% in 1993, nominal capital, Oesterreichische Nationalbank 1995c: 11, Tab. 2.2). 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 exercises 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 (own calculations based on Oesterreichische Nationalbank 1995b: 88, Tab. 9.0 & 94 et seq., Tab. 10.0.0). Even, if the service exports are included, there was not a stable increase of the export quota. Though the enlarged export quota rose from 35.6 per cent in 1987 to 40.2 per cent in 1990, it slid back to 37.9 per cent in 1993(OECD 1995: 75, Tab. 6.12).

The restructuring entailed a steep decline of a number of traditional consumer goods industries (esp. food, clothing, textiles, leather goods, ÖStZ 1996: 13, Tab. 8.2, Leitner and Henkel 1996, Lamel 1996, Smolka 1996). In agriculture, the main restructuring still has to come. The weight of some, but not all basic industries was accentuated. The high tech-sector continued to be rather little developed, 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 competences 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 (cf. Becker 1996a, Streeck 1995). These pressures are heightened by the Maastricht criteria which have already entailed a pruning down of the welfare state. And this seems to be actually one the main targets of these criteria. With unusual frankness, Giulio Tremonti, a leading intellectual and former
minister of Forza Italia, told reporters of the conservative Italian daily Corriere della Sera (18.5.1996: 5) that Maastricht was about introducing the Euro and "dismantling the old style welfare state" which did meet a lot of resistance at the national level. 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. The channels of access at EU level are structured in an unfavourable way to trade unions and "new" social movements since executive structures are extremely powerful compared to parliamentary structures which had been quite important to trade unions in winning concessions at the national level in the past.

In many West European states, the nation state has not only lost competences to the supranational level, but also to the microregional level. It is still too early to tell whether the same will happen in Austria though the creeping dehomogenisation makes this seem to be likely. An enhanced microregional autonomy would, however, have to contend with considerable fiscal constraints. Though Austrian neocorporatist structures have organisationally 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 many other European countries (cf. generally Regini 1991, on Austria Traxler 1993). The role of Austrian neocorporatist institutions is being redefined as to give absolute priority to enhancing international competitiveness. The likely consequence is that increasingly only the interests of the core workforce being central to export production will be taken into account. Thus, neocorporatism would become less encompassing. The political exchange is already now becoming more detrimental to labour.

4.2. Continuing decline, neoliberalism or ecosocial reformism in Vienna?

Compared to other European cities, Vienna's growth rate of 2.2% p.a. from 1975 to 1993 is above average. For the period 1989-1993 Vienna achieves with an average annual growth rate of 2.6% the Europe-wide fifth highest ranking (Mayerhofer and Palme, 1996: 34). Unfortunately, this quantitative increase are mainly due to the strong performance of construction industry and the public sector, sectors that will come under increasing pressure in the near future.

As far as employment is concerned, from 1971 to 1991 the relative performance of Vienna was weak. Whereas the nationwide increase in jobs was 14.06% during 1971/1981 and 10.2% during 1981/1991 the respective increases in Vienna were 3.84% and 5.5%. Parts of this meager dynamics is explained by the strong job increases in districts in Greater Vienna (Mesch 1989: 371; Reiterlechner and Schmee, 1995: 34).
From 1971 to 1991 employment in industry declined from 28.4% to 20.1%; whereas the share of services increased from 70.6% to 78.8%. That means that in industry 111,500 jobs were lost in the last two decades (Mayerhofer and Palme 1996: 38f). Vienna's share in industrial gross production declined to 18.8 per cent in 1988, its share in industrial employment was 18.9 per cent in 1988 (ÖStZ 1993: 275, Tab. 21.09).

Foreign industrial corporations have continued to show a stronger preference for Vienna as their location. In 1985, 47 per cent of industrial FDI (nominal capital) was located in Vienna (Glatz and Moser 1989: 83). Industrial FDI in Vienna was less geared towards the West European market and more geared towards the domestic market than in other Austrian regions (Glatz and Moser 1989: 133). Services remained quite concentrated in Vienna, esp. financial services (ÖStZ 1993: 275, Tab. 21.09). In 1985, 66 per cent of non-industrial FDI (nominal capital) was located in Vienna (Glatz and Moser 1989: 83). In 1993, electrical engineering continues being the prime industrial activity, employing 1/3 of the Viennese industrial work force, followed by transportation industry with 10.7% (Mayerhofer and Palme 1996: 66).

At the same time, manufacturing production in the regions bordering Vienna expanded vigorously. The tendential de-industrialisation of the city of Vienna is due to high costs of labour and land. Branches that need high agglomeration advantages, however, stay in the city. As today energy and labour-intensive industries play a minor role in the Viennese industrial structure, it is less threatened by market opening of Eastern Europe. Only 6.9% of industrial jobs are in branches suffering from international restructuring, whereas in the bordering Lower Austria 46.1% might be endangered (ÖORK 1994: 46f.).

The "Index of the Composition of Structural Change" for Vienna from 1961 to 1992 was the least pronounced of all nine Austrian "länder". The specialisation of the Viennese economy decreased. This is due to an increase in city tourism and a diversion of trading activities and increasingly also producer services to regional centers (Tödtling and Traxler 1995, Mayerhofer and Palme 1996: 42 et seq.). Vienna has continued relying heavily on non-marketable services, like public administration (22.1%). Producer services and marketable services play - internationally - a below average role (Mayerhofer and Palme 1996: 31). 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. In 1976 there was a very strong national concentration of activities like investment consulting (45.4%), management consulting (42.6%), engineering (49.5%), advertising (59%), banking (40.2%) and insurance (47.8%) in Vienna. Until 1988 a deconcentration process of producer services can be observed in all
segments, being most pronounced in advertising (47.8% compared to 59%) (Tödtling and Traxler 1995: 189). This deconcentration could not be compensated by the small increase of employment in producer services in the districts surrounding Vienna. What concerns high-quality producer services 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.

Whereas the ring around the city of Vienna had the nation-wide highest productivity increases during 1981/88; Vienna's increases kept behind, independent of its high human capital intensity (Palme 1995). 27.1% of Viennese firms admitted of not having any firm-specific competitive advantages and 64% of the products produced locally were in the stagnation or shrinking phase of their life cycle (ÖROK 1994: 24 et seq.).

With the European integration process and the opening up of the national market, Vienna was more negatively affected than the rest of the country. In 1990, its export ratio (goods and services) of 34% is well below the Austrian average of 43.3% (ÖROK 1994: 24). Within a very short period Vienna has to meet two challenges: the opening of the Eastern borders and the European integration. There was established a city secretariat which is responsible for Viennese "foreign" affairs, esp. its relationship with the neighbouring state of Lower Austria, Eastern Europe and the EU. Suburban growth of Vienna is transcending its political borders, with negative implications for the local budget and severe pressure on local infrastructure (esp. transport and health). Establishing closer links with Bratislava and Brno might dynamise the development of Vienna (Altzinger and Maier 1996).

Politically, socialdemocracy tried to prolong fordist regulation at the local level. Whereas national keynesian policies came to an end in 1986, Vienna was for a decade able to avoid any ruptures. Conventional strategies of protecting small enterprises by burocratic mechanisms and attracting large investors increasingly lost viability. The response of local government was the autonomisation of parts of public administration. On the one hand, new planning bodies were created for specific projects and objectives, thus being able to response quickly and flexibly to investors. These bodies are no longer under direct parliamentary control (Mayerhofer 1994: 44 et seq.). On the other hand, the city continues being the main share holder of the largest Austrian bank, which became, due to so-called privatisations, owner of communal enterprises. The result is a limiting of the range of democratic political decision-making.
In social policy, too, signals of an urban crisis could no longer be neglected. Although the city invested heavily in housing construction and a considerable amount of new housing was constructed in the transdanubian suburbs, local government had increasing difficulties in delivering social services. The clientelist relationship with civil society became increasingly threatened for the same reason: lack of funds to deliver the material rewards for social movements and the voluntary sector. Receipts from local taxes, which are still characterised by its regressive structure, stagnate. Transfers from the national government did not increase, either (Imhof 1996). Nevertheless local government was able to increase its income in the 90s due to increased fees charged for infrastructure provision, like water, sewage and gas. Expenditures increased even quicker, causing budgetary problems.

In the 80s and until 1992, the budget remained under control, reducing the debt/GDP ratio from 13.37% in 1982 to 6.36% in 1992. Over the last years, however, huge new debt has been incurred. Whereas there was a surplus of ATS 2828 million in 1992, the budget deficit reached the dangerous level of ATS 14034 million in 1995 (Imhof 1996). This increase makes it plausible that severe adjustment measures will have to be taken by the end of the 1990s.

In the 1996 municipal elections socialdemocracy lost 9 of its 52 seats in local parliament, to the detriment of the far right (29 seats) and the new liberal party (6 seats). A stagnating green (7 seats) or a weakened conservative party (15 seats) are the potential coalition partners in an era of post-Red Vienna.

5. Summary

The above described development of Vienna leads to a series of empirically and theoretically interesting arguments. First, our approach of not limiting our historical analysis to the transition of fordism to post-fordism proved to be very useful. Although historical conclusions about the economic and political development of Vienna in the last 130 years are still preliminary, the present development problems can be understood much better in a larger historical perspective. Many of today’s development problems, like globalisation and locational competition, are not as unique as it is generally assumed out of a reduced post-World War II perspective. The specifics of Austrian fordism can be understood only by taking the strong authoritarian tradition - monarchy and fascism - into account. The very successful model of supply-side fordism poses severe problems to adapt to globalisation and flexible production. There is a lack of historical experiences of self-organised and participative institutional settings at the work place and in politics.
Second, our geographical approach of not limiting ourselves to analysing the national level helped producing interesting results. There could not be observed a linear link between the accumulation strategies of the different forces of capital with direct consequences on the economic space and the centralisation and decentralisation of political decision making. The political cannot be derived directly from the economic though the two spheres are articulated with each other. The locus of political decision making is an object of political struggles to push through specific socio-economic changes. Social actors might privilege certain territorial arrangements of state regulation and certain territorial levels of the state over others because these are more favourable organisational fields for pushing through their socio-economic programme.

For example, the Austrian labour movement de facto privileged the Viennese local government to push through at least parts of their agenda in the inter-war years in the process of defending local fiscal autonomy. In the 1980s, capital privileged the transfer of political authority to a supranational body to push through its neoliberal agenda. It is not a pure coincidence that both attempts at a (at least incipient) reordering of the territorial levels of political regulation occurred in periods of structural crisis. In times of structural crisis, historical situations seem to be more open (Fiori 1995). In times of comparatively stable modes of development, historical situations seem to be much more fixed, the range of options to be much smaller. Past experience seems to indicate that political decentralisation and margins for manoeuvre of the local state seem to be highest in cases of a high degree of centralisation of finance capital and extraverted accumulation strategies resulting in extraverted regimes of accumulation going hand in hand with a high degree of regional heterogeneity. In the case of more inward-looking strategies, a higher degree of centralisation within the nation state seems likely.

If these conclusions were correct, it would seem that today a potentially broad margin for manoeuvre would exist for the Viennese local government. It is, however, doubtful whether this space will be exploited. In the 1920s, it was a Viennese local government representing different social interests with a distinct socio-economic programme from the national government that was capable of launching the social experiments of "Red Vienna". Today's local government of Vienna represents basically the same social interests as the national government though pursuing somewhat more integrative policies. It seems likely that the present mode of regulation with a strong fordist imprint will become increasingly inviable - not the least because of fiscal constraints.
Then Vienna will have to choose between abandoning its commitment to a local welfare state (which is increasingly unaffordable under the dominant institutional setting) or changing the institutional setting. The former would imply the dominant neoliberal option of urban entrepreneurialism. Given the present balance of power, it seems most likely that socialdemocracy itself - supported by an extremely weak conservative party - will initiate a gradual demise of the local welfare state with the more right wing parties FPÖ and LIF advocating more drastic policies. This would be no surprise observing national development in the last ten years. It would be in line with developments in other cities, subordinating politics to the imperative of locational competition. The result would be social and spatial polarisation to an extent until now unknown in Vienna.

The latter option of restructuring the welfare state seems in the short run remote, although being the only progressive solution in the long run. Its main actors have to be found not only in the political system, but in social movements and an innovative voluntary sector which have been neglected for decades in political decision making. Within the political system it presupposes a socialdemocracy that agrees on power-sharing with the Greens - and progressive sectors of civil society - aiming at inclusive strategies of integrating marginalised interests (Mayer 1995). But Red-Green coalitions in itself do not necessarily stand for this second option, as has been shown for Frankfurt (Hitz et al. 1995). Active pressures of social movements would be absolutely essential. Ecosocial reformism would imply an open policy of distribution of income and wealth within the city based on politicising local budgeting, i.e. democratising the decision making on infrastructure provision and a progressive taxation of resources, esp. land. Furthermore, in contrast to the "Red Vienna"-strategy today an explicit local economic strategy would be necessary. Local politics would have to build on the agglomeration advantages of a large city: it would have to prioritise industries and services that need skilled labour and produce ecologically sustainable products.

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