



Locked in decline?

On the role of regional lock-ins in old industrial areas

Robert Hassink (2009)

Handbook of Evolutionary Economic Geography
edited by B. Boschma and R. Martin. Edward Elgar

Presented by Seung Hyun KIM

Table of Contents

- I. Introduction**
- II. Regional lock-ins in old industrial areas: a theoretical framework**
- III. Putting the case studies in context**
- IV. Locked in decline? Empirical case-studies**
- V. Comparative analysis and conclusion**





I. Introduction

I. Introduction

Starting point

Innovation does not just happen by clustering

Clustering may hinder innovation

Clusters may act as barriers to innovation by “path dependence and lock-ins” (Grabher 1993)

There is a need to “recognizing the importance of place-specific elements and processes to explain broader spatial patterns of technology evolution”



I. Introduction

Therefore, this paper aims to answer...

How do "lock-ins" affect restructuring processes of different regions?

textile and shipbuilding industry) in South Korea and Germany

Why do some industrial areas have strong lock-ins while others do not?






II. Regional lock-ins in old industrial areas: a theoretical framework

II. Regional lock-ins in old industrial areas

What are lock-ins?

Being unable to move to another industry, service, supplier, etc.

Three kinds of lock-ins


1. Functional : inter-firm relationships → structural interdependency
 2. Cognitive : staying loyal to status quo > switching to another supplier and/or product
 3. Political : “thick institutional tissues” that act against restructuring
- 

II. Regional lock-ins in old industrial areas

How do lock-ins become regional lock-ins?

“a set of interrelated lock-ins that manifest themselves at the regional level, but are influenced and affected by both intra-regional and extra-regional factors.”

What factors create lock-ins?

1. Marked industrial mono-structure
 2. Specific leading industry
 3. Institutional tissue at a regional level
 4. National Political System
 5. Supra-national institutions
- 
- A faint, light gray world map is visible in the background of the lower half of the slide, centered behind the list of factors.

The background features a light gray world map made of dots. On the right side, there are two overlapping triangular shapes: a light blue one on top and a darker blue one below it.

III. Putting the case studies in context

III. Putting the case studies in context

Selection of Industries – Shipbuilding and Textile

1. **Shipbuilding** : high spatial concentration, global industry, high government intervention, high entry/exit barriers and sunken costs
→ *economic-structural context*
2. **Textile** : lower spatial concentration, entry/exit barriers and sunken costs
→ *political- institutional contexts*

Selection of Countries

1. **Korea** : development state model
2. **Germany** : associative model

III. Putting the case studies in context

Expectations

Industries

Compared to the textile industry, the shipbuilding industry clearly is expected to have stronger tendencies towards regional lock-ins, given its stronger spatial concentration and mono-structure, high entry and exit barriers because of its capital-intensive characteristics and its oligopolistic market structure.

Countries

German associative model is expected to lead to a stronger involvement of local and regional actors involved in lock-ins than in the Korean developmental state model.

The background features a light gray, dotted world map centered on the Atlantic Ocean. On the right side, there is a large, abstract geometric shape composed of two overlapping triangles in shades of blue, pointing towards the top right corner.

IV. Locked in decline? Empirical case-studies

IV. Locked in decline? Empirical case-studies

1. Shipbuilding Region Mecklenburg-Vorpommern

Transition from centralized planning to market economy → massive unemployment → political consensus by different groups → privatization → modernization of production by subsidies → production quota

“very much focused on preserving the existing shipbuilding complex, rather than focused on developing new products and industries”

“a ‘noisy’ restructuring process because of relatively strong regional lock-in, which can partly be explained by the clear mono-structure and the lack of alternative industrial activities and by the specific characteristics of the leading industry”

“a thick and powerful institutional tissue at the region level in combination with a federal government determined to support the industry”

IV. Locked in decline? Empirical case-studies

2. Shipbuilding Region Gyeongnam

Centralized financing → Focused investment on shipbuilding (zero to hero) → Large companies, large yards in less than a decade → successful growth of the industry → cluster with strong government support, strong competition and collaboration

Lock-ins by national interest

Cognitive lock-in: underestimation of China as a threat

Functional lock-in: high dependencies among suppliers and yards

* Note: the regional cluster also handled navy defense procurements

IV. Locked in decline? Empirical case-studies

3. Textile Industry Region Westmünsterland

Cluster formation by small, family-owned businesses → lion's share of employment by 1960s (75%) → competition from Asia (1970s) → from dominant industry to one of many → reorientation into increased value-added production

Weak lock-ins that allowed renewal and “‘quiet’ restructuring process” (p 462)



IV. Locked in decline? Empirical case-studies

4. Textile industry region Daegu

Export oriented textile cluster → high level of automation, overproduction, overseas competition → relocation of producers to China, Indonesia, Vietnam, etc. → “trap of low value added production” (p 463) → unsuccessful Milano Project (1998-2003)

Strong functional, cognitive, and political lock-ins that fiercely resisted renewal





V. Comparative analysis and conclusion

V. Comparative analysis and conclusion

Summary of Comparative analysis

	Adjustment / Renewal	Regional lock-ins	Dominant impact factors
Mecklenburg-Vorpommern	Adjustment	Strong at several regional levels	Both economic- structural and political-institutional factors
Gyeongnam	Slow renewal	Fair and enabling, mainly at national level	Economic-structural factors dominate
Westmünsterland	Renewal	Weak	Both economic- structural and specific regional political-institutional factors
Daegu	Adjustment	Strong at local level	

V. Comparative analysis and conclusion

Why do some regional economies succeed in restructuring while others fail?

Not enough research yet...

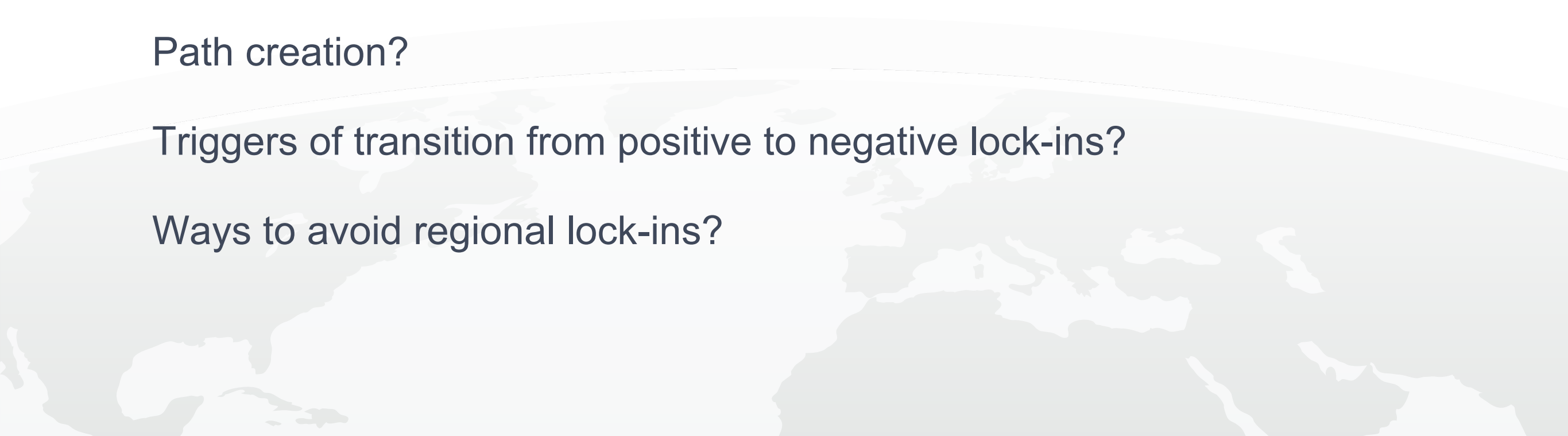
Role of social capital?

Issue of sunken costs?

Path creation?

Triggers of transition from positive to negative lock-ins?

Ways to avoid regional lock-ins?





Discussion

Discussion

- 1. Are there methodologies to strengthen the case studies? If so, what could they be?**
 - 2. If you are advising a policymaker, what are the options for restructuring clusters with strong lock-ins?**
 - 3. What about the ‘survivors’ of clusters that are not renewed? What is their secret to survival?**
- 