

Economic and Political Responses to Globalization: Economic Restructuring and Local Government as an Entrepreneur*

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Since the world's economic and political structures have changed, the term 'globalization' has shown up as a dominant power and as a necessity for regional and national development. Each nation is responding to the globalization process economically and politically in various ways. In general, however, the economic response to the globalization is economic restructuring from the Fordist industries to 'flexible specialization'. And the political response to the globalization is 'global localization' as a new type of local politics (i.e., local policy activism or growth-enhancing local development policies).

The crisis of Fordism shifted the role of local governments towards more involvement with local economic development. Local governments are mobilizing for local economic development, they are taken into a process of institutional change that tends to redefine their responsibilities inside the state. Local governments thus tend to act as an entrepreneur in order to restructure their local economies and to compete with other national and international regions. State restructuring towards entrepreneurialism and efficient regional policy pursuing a pro-growth coalition strategy is chosen as a new mode of regulation for the post-Fordism at the local level. The flexible specialization as the post-Fordist economy and the local government as an entrepreneur are the global choice for globalization and a post-Fordist society.

The paper focuses on the regulation theory which comprises the political economic perspective on restructuring. Economic restructuring and state restructuring will be discussed in detail. And the paper tries to combine the economic globalization and the global localization as economic and political responses to globalization.

Key Words: economic restructuring, state restructuring, globalization, global localization, flexible specialization

1. The Concept of Globalization

The open economy of China, the failure of the centrally planned economies of Eastern Europe and the Soviet Union, the formation of European

economy, the economic growth of ASEAN, and the localization of world economy (e.g., NAFTA, APEC, EC, etc.) have captured the world news, and also imply the new order of world economy and politics. The world economy

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has become one system, the capitalist system, and national ideologies are becoming homogeneous, i.e., the capitalist economic development. Economic restructuring, new politics, and our daily lives are pursuing globalization: 'global economy', 'global localization', and 'global civil society' all imply globalization. 'Time-space compression' (Harvey, 1989) by technological development makes globalization possible and accelerates the process.

Then what is 'globalization'? What does it imply? As Wallerstein (1979) argued and the new world order (i.e., the end of the cold-war) proved, capitalism only exists as a world system and the 'world capitalist system' tends towards a new international division of labor. Milios (1989) argued that the new international division of labor was a result of the effort of the world capitalist system to find a solution for the international economic crisis (p.156). The main purpose of a new international division of labor was to exploit low-wage laborers on a world scale. Direct productive investments (i.e., the most productive sectors) of the developed industrial countries were carried out into the Third World, particularly into the NICs through the new international division of labor. The competitive productive power of some industrial sectors of the NICs was connected to the crisis of those sectors in industrial countries in the 1980s. The new international division of labor which showed up as an exit from the economic crisis in the late 1960s made further problems for the industrialized countries (i.e., sectoral crisis and/or regional crisis).

Globalization of capital, similar to but a little different from the new international division of labor, focuses on the profitability of investment determined by the overall production and social relations, not merely on low wages and on market potentials. Globalization of capital is to foster both increasing international interdependence and to enhance transnational corporations' role over national governments and domestic unions (Gordon, 1988). Whereas the new international division of labor played a central role during Fordism, globalization of capital has a pivotal role for the post-Fordist

society. Capital flight, foreign investment, and multinational corporate competition were all dimensions of the new international division of labor. Globalization is characterised by transnational corporations' investment, global interdependence of production and consumption activities, global culture, and cooperation or partnership between transnational corporations and the nation-state and local governments. Globalization of capital is achieved with technological development such as the computer networks, telecommunication networks, and transport development, and industrial reorganization along with it. The globalization process is penetrating into our daily lives and is forming a 'global civil society' (Rosenau, 1992) or 'globalism' (watching CNN in every corner of world is a good example).

2. Economic Restructuring and the Spatial Implication

Economic restructuring, capital restructuring, and industrial restructuring are often used interchangeably. Economic restructuring subsumes capital and industrial restructuring. Economic restructuring, which is rooted in major economic crisis (i.e., structural crisis) is achieved through globalization of capital and organizational changes (i.e., new international division of labor) along with technological development (Koh, 1994).

Restructuring implies a "shift towards a significantly different order and configuration of social, economic, and political life" (Soja, 1989, p.159). Restructuring thus evokes a destruction of established system and a creation or reconstruction of a new system. The restructuring process is theoretically made up of structural crises in the global capitalist system (Beauregard, 1989; Harvey, 1978,1985; Harvey and Scott, 1989). Structural crisis, regulationists argue, is "a dysfunction of the specific institutions and social processes forming a given regime of accumulation" (De Vroey, 1984, p.53). O'Connor (1981) has defined the current economic crisis of world capitalism as an 'interruption in the accumulation of capital' brought by restructuring. Economic restructuring

is the cause and/or the consequence of a structural crisis and at the same time a cause of a sectoral crisis. Sectoral crisis is engendered by processes producing an uneven rate of development among economic sectors or among geographic regions which are based upon unevenly developing sectors (O'Connor, 1981). In the globalization process, transnational and multi-locational capital tends to concentrate on some specific sectors and on some competitive regions. The capital investment shift incurred by restructuring underlies the decline of less competitive regions such as older industrial areas, which suffer rapid disinvestment. The sectoral crisis is likewise a spatial crisis in places experiencing under-investment and disinvestment (Smith, 1987, p.235). Economic restructuring as a way of preventing and/or solving structural crisis of accumulation leads to a sectoral crisis which also renders a spatial crisis. From this perspective, Gordon (1988) sees the restructuring process as a period of prolonged and protracted crisis rather than as a new change.

French regulation theorists generally argue that a new international division of labor is to solve profit squeeze crisis in the central Fordism and to solve the crisis of central Fordism. Leborgne and Lipietz (1988) explained the crisis of mass production (or Fordism) in two aspects: first, the demand-side aspect, i.e., the stagnation of markets because of international competition and the growing volatility of the pattern of demand; and second, a decrease in the rate of growth in productivity and a growing capital/output ratio led to a fall in profitability in the late 1960s. The reaction of management (through internationalization) and of the state (through austerity policy) led to a crisis in employment, and a crisis in the welfare state. Internationalization and stagnation in demand both triggered the demand side of the crisis in the late 1960s. A supply-side crisis version of Fordism is reflected in differential reductions in the rate of profit, and is rooted not in the conditions of market demand but in the system of value production (Dunford and Benko, 1991, p.288). The solution of the crisis of Fordism through a new international division of labor

gave rise to a 'peripheral Fordism' in the Third World countries (i.e., NICs, ASEAN) (Lipietz, 1987), which led to the sectoral and the spatial crisis in the industrialized countries.

The 1970s represented a phase of Fordism crisis and the 1980s showed a turning point in economic, social, and political development. Economic and social response to the crisis of Fordism is forming a post-Fordism or 'flexible specialization' (political response will be discussed in the next section). Flexible specialization is the consequence of global economic restructuring. Flexible specialization is asserted as a new social paradigm (Piore and Sabel, 1984) and this has particular spatial implications as the relation between the economy and its territory is changing (Amin and Robins, 1990). The characteristics of 'flexible specialization' are as follows: artisanal and design-intensive industries; high-tech industries and their associated input suppliers and dependent subcontractors; service functions (business services); disintegration into extended social division of labor, thus giving rise to many specialized subsectors; tendency to locational convergence and reagglomeration; dynamic vertical disintegration (encouraging agglomeration) and dualization of local labor markets; and flexibility encouraged by intensified product differentiation and competition in high volume markets (Storper and Scott, 1989; Scott, 1988).

'Flexible production complexes' contains the new industrial spaces for flexible specialization. There are three types of new industrial spaces: new Marshallian industrial districts composed of small-firm networks (e.g., the Third Italy); agglomerations which have pioneered the development of new industries (e.g., Silicon Valley, Grenoble); and new industrial spaces with extensive large-firm subcontracting resulting from the reorganization of large firms into separate product-based divisions (e.g., Nissan in the northeast of England and the Saturn plant in the United States) (Piore and Sabel, 1984; Storper and Scott, 1989; Scott, 1988). Some argue that the new industrial districts is a mode of geographical organization which can be activated for a multitude of

unpredictable reasons, rather than the specific product of post-Fordist industrialization (Amin and Robins, 1990, p.22). Flexible production complexes, however, are becoming the core of the new growth centers of the world system (Scott, 1988).

Logan and Swanstrom (1990) argue that there is not one capitalism; there are many "species of capitalism". Thus there are "many species of restructuring" (p.5). Local contingencies such as social and power relations among firms, institutions, employers, and workers play a critical role in shaping the social, economic, and political characteristics of each type of production complexes and in a broader sense, localities. Thus, each type of new industrial spaces contains a different division of labor and a different mode of regulation (i.e., "flexible localities" - Scott, 1988). Economic restructuring such as flexible specialization is the overall process of many capitalist countries; however, the consequences are different from countries and regions. Regulation theorists generalize the trend toward a post-Fordist industrial society as the new phase of the capitalist development (as argued by the long-wave theorists). The local contingencies give in different results of the restructuring process. The question is how to deal with the macroeconomic change (i.e., economic restructuring) and the various consequences at the local level. The critical issue here is how the local area responds to the global economic restructuring, not only economically, but also politically.

3. Global Localization: Economic Mobilization of Local Governments

We are seeing increasing tendencies towards internationalization and globalization of local and national economies. It is thus necessary to grasp the coexistence and combination of globalizing and localizing. Economic restructuring is characterized by a growing interdependence among local enterprises, multinational corporations, increasingly international markets, and transnational finance capital. The local economy can be seen as a node within a global economic network. The growing

significance of the local-global nexus propels the new local economies towards post-Fordism.

With the globalization of capital as a form of economic restructuring, localization is being stressed particularly by local politicians and local residents, in order to develop and compete their own territories economically and to promote their identities on a world scale. Locality is developed not only by the top-down approach (i.e., globalization, the national urban and regional policies), but also by the bottom-up approach (i.e., grass-roots movements and local politics). With economic restructuring as a response to the crisis of Fordism, state restructuring is required for local economic development and flexible locality. And the hierarchical relations (such as the intergovernmental relations) and the horizontal relations (such as intragovernmental or functional relations) of governments need to be restructured in the face of economic restructuring and global competitiveness, reflecting new articulations of global mobility and local fixity.

The post-war 'productivity deals' triggered by the coordination of the state (i.e., the Keynesian state) and the capitalists in the developed countries brought major wage and welfare benefits to organized labour in return for productive peace in the workplace; the demand-driving suburbanization process; the delicately balanced devaluation and renewal of inner cities; the system of state regulation and management; and the rapid expansion of government employment (Soja, 1989, p.183). Those productive deals gave rise to the Fordist society, the Fordist economic growth, social harmony, and increases in productivity. However, those deals produced many problems such as the rising of wages, powerful unions, strong state intervention, increasing state expenditures, productivity decline, market saturation by increased demand due to highly-paid wage workers, etc. Those problems resulted in the crisis of the welfare state in the 1970s.

The crisis of the welfare state (or the Fordist state) changed its direction toward decreasing public intervention, spreading market relations, and privatising part of public services. In

addition, the crisis of Fordism and the resolution of the crisis resulted in the sectoral crisis and the crisis of the Fordist regions, i.e., regions based upon the Fordist manufacturing industries (i.e., older industrial cities). Such regional problems (i.e., the urban crisis or the regional crisis) needed efficient regional policy and required state restructuring. Efficient regional policy should be centered on the elaboration of a mutually beneficial dialectic between top-down structural development and bottom-up local uniqueness. The key to the regional problem is also found in the friction between the relative fixity of local conditions and the dynamics of global processes (Albrechts & Swyngedouw, 1989, p.77).

Fordism depended on the nation state taking a very special role within the overall system of social regulation (Harvey, 1989, p.135). Goodwin, Duncan, and Halford (1993) argue that the local state during the Fordism was Fordist not because the labour process within it is organized along Fordist lines, but rather because the relations and institutions of the state played a key role in stabilizing the patterns of production, demand, and consumption through providing appropriate forms of service provision, fiscal policy, wage relations, and productive infrastructure (p.75). The Fordist local state was a key part of the ensemble of institutional forms, networks and norms which sustained Fordism by providing services, infrastructure, and income maintenance (Goodwin et al., 1993, p.75). The expansion of collective services which dominated the Fordist local politics has been halted since the 1970s. The crisis of Fordism shifted the role of local governments towards more involvement with local economic development. Local governments are mobilizing for local economic development, and they are taken into a process of institutional change that tends to redefine their responsibilities inside the state (Preteceille, 1990, p.50). Local governments tend to act as an entrepreneur in order to restructure their economies and to compete with other national and international regions. 'Global localization' as a new type of local politics is showing up as a political response to the post-Fordism.

The hierarchical nature of the state means that the form of and the role played by local governments are derivative of actions taken and the contradictions faced by central government. This implies that local government action is limited by the system of intergovernmental relations. Central government policies have direct or indirect impacts on the fiscal health of local government, the institutional structure and activities of local state agencies (Leitner, 1990, p.154). Shifts in the nature of central government urban and regional programs away from supporting welfare-oriented programs towards stimulating growth of private investment since 1980s forced and provided an opportunity for the local public sector to increase its economic development activities and local policy activism (Leitner, 1990, p.155). An important mechanism in formulating growth-enhancing public development policies has been the collective action of political and business elites and local state administrators within a formal growth coalition (Leitner, 1990, p.158).

'Pro-growth coalition' is defined as a strategy of class alliance between developers, landowners, corporate executives, and the local government, working together to implement new local economies and a local economic growth (Leitner, 1987). Fundamental to the idea of a pro-growth coalition is that political entrepreneurs can bring together very different, competing, and even antagonistic political actors and interests by creating new governmental bases for exercising new powers which none of these actors and interests could otherwise have exercised alone (Mollenkopf, 1983; Molotch, 1976; and Logan, 1978). A political entrepreneur, according to Mollenkopf, is not the same as a politician. A political entrepreneur is "one who gathers and risks political capital and creates new sources of power by establishing new programs" (Mollenkopf, 1983, p.6). Pro-growth coalition is generally driven by an economic logic rather than by a political one especially during the periods of economic and fiscal crisis at the local level. That is because local governments must finance their activities from a strong revenue base. The production of wealth occurs in the private sector and

government depends on producers of wealth for the resources that are critical to the local economy (Koh, 1989, p.113).

In the post-Fordist period, state power is being used by the right to construct and maintain new class alliances favorable to capital (Goodwin, 1993, p.84). New class alliance has to accommodate to the basic logic of capital circulation and accumulation if it is to remain within the capitalist system (Harvey, 1985). Harvey suggests that a successful class alliance has to be a "pro-capitalist class alliance" (p.155) in the period of growing competition between cities, localities, and regions. Pro-growth class coalition speculates on the production of the preconditions for accumulation; it collectivises risks through finance capital and local government. This corresponds with the concept of "growth machine" called by Molotch (1976).

Jessop (1992) characterized the shift of the local government's functions as the replacement of the Keynesian welfare state by the Schumpeterian 'workfare state' (Goodwin, 1993, p.84). Jessop (1992) characterized 'workfare state' as the appropriate state form for a post-Fordist mode of growth in the emerging globalization process of economy (p.22). The 'workfare state' is oriented to the supply-side rather than the demand-side, especially through the promotion of innovation and competitiveness, and is also concerned to develop entrepreneurialism and labour-market flexibility rather than generalizing the norms of mass consumption (Goodwin, 1993, p.84). State restructuring towards entrepreneurialism and efficient regional policy pursuing a pro-growth coalition strategy produces new modes of regulation for the post-Fordist society at the local level, i.e., from a collectivist to a more privatized concern.

4. The Role of Local Government in Case of Urban Redevelopment in the U.S.

Beginning in about 1980, deindustrialization, disinvestment, and internationalization provoked plant closings, unemployment, capital flight, population migration, resulted in urban and regional decay economically, socially, and

financially, and thus needed restructurings, especially in traditional industrial areas. A common response by local elites is simply to bail out of manufacturing altogether, shifting capital (via local development policy and through private-sector financial institutions) to office construction and inner-city gentrification projects (Clavel and Kleniewski, 1990, p.200). Two strategies were preferred in urban redevelopment: the first strategy to keep public sector dollars focused on the plight of older basic sectors (e.g., auto, steel, etc.); and the second strategy to construct downtown enclaves for finance and management functions (e.g., Detroit's Renaissance Center). Those two strategies fuel booms in downtown real estate development.

As the characteristics of local government has been changing, reflecting different conceptualizations of the role of state intervention in economic and urban development, and of the interaction between the economy, the state, and the general public in post-Fordist societies, the local policy has also been transforming. During the urban crisis of the 1960s and 1970s, questions were raised about whether cities should be saved and, if so, by whom. In such situations, business leaders needed the cooperation of government and citizens. Public sector leaders too must obtain the cooperation of the private sector. The public-private partnership was the most popular form in urban renewal projects. For example, Allegheny Conference on Community Development (ACCD) in Pittsburgh which was a nonprofit research and planning organization served as the prototype for business civic organizations in other cities, such as Baltimore's Greater Baltimore Committee (GBC), which played a key role in downtown revitalization.

During the 1980s, the pattern has been changing to pro-growth coalition in which local government has a changing role like as an entrepreneur in urban economic development (i.e., "urban entrepreneurialism"). For example, Detroit's mayor and the state governor invited representatives from business, labor, government, and the city's neighborhoods to the city's meeting, and established the New Detroit

Committee, the United States' first "urban coalition". The renewed urban coalition directed toward the city's development capacities and creating public incentives to compensate for its competitive disadvantages with new growth centers in the Sunbelt or in other international regions. State and local governments have been creating grant, loans, tax-incentive programs, tax abatements, and the provision of infrastructures (e.g., land, transportation, communication network, computer network, information network, etc.) to encourage private investment.

During the period from 1977 to 1988, the U.S. experienced the largest real estate boom in its postwar history. By the close of the 1980s, however, this surge of new construction had evolved into the largest real estate depression and overbuilding crisis since 1945. The building boom was fueled by the rapid growth of the service sector and the vigorous expansion of demand for new office development and downtown commercial space as the national economy was entering into the post-Fordist society, and as local governments have taken strategies to transform local economies. The collapse of the real estate market, however, undercuts entrepreneurial approaches to urban revitalization. High vacancy rates result in a decline in the market value of properties. The reduction of assessed market values has shifted the tax burden from commercial to residential property owners and forced taxes up for city residents.

The problem with local entrepreneurialism is that it fails to adequately address the relationship between localist and market-based approaches to urban redevelopment and the systemic imperatives emanating from the global capitalist economy that promote local state restructuring and changes in intergovernmental relationships (Leitner and Garner, 1993, p.67). Local policies, whether progressive or conservative, are not sufficient to deal with the economic, social, and fiscal problems experienced by traditional industrial areas. Federal, state, and local government together have the fiscal and political capacity to provide growing as well as declining cities with the billions of dollars needed to address problems adequately (Leitner and

Garner, 1993, p.68). The hierarchical and horizontal relationships need to be restructured, reflecting external economic and political conditions, such as flexible specialization, interurban/interregional competition, reduction of federal funds for local areas, national economic recession, globalized economy, etc.. Regulation theorists and the post-Fordists regarded the state as important in helping to facilitate the reproduction of capital. The role of the state inevitably changed as economic restructuring took place, since the state had a role in the process of production and reproduction and local governments exerted an influence over national economic policy (Jacobs, 1992, p.46). In order to facilitate restructuring, to support globalization, and to ensure localization and local flexibility reflecting local economy as a node within a global economic network, the role of local government as an entrepreneur is important and thus needs to be redefined. For now, the local government as an entrepreneur is the global choice for globalization and a post-Fordist society.

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세계화에 따른 경제·정치적 동향: 경제재구조와 기업가로서의 지방정부

고 태 경*

오늘날 세계의 정치, 경제가 변화하면서 '세계화'라는 용어가 지배적으로 사용되고 있고 각 지역이나 국가발전을 위해서 필수적으로 대응해야 하는 과정으로 나타나고 있다. 따라서 각 국가들은 어떤 형태로든 경제적으로나 정치적으로 세계화과정에 대응하고 있다. 여러나라들에서 일반적으로 나타나고 있는 공통된 대응전략은 경제재구조라 할 수 있다.

1970년대의 경제재구조는 구조적 위기(자본축적을 저하의 형태)에 의해서 야기되었다. 자본은 일반적으로 특정 부문이나 특정 지역에 집중되는 경향이 있기 때문에 재구조화는 경제부문과 지역에 차별적으로 영향을 주게된다. 재구조는 경쟁적이지 못한 지역이나 경제부문을 쇠퇴시키고 따라서 빠른 탈투자를 일으킨다. 소위 '포디즘의 위기'와 '포

드지역의 위기'에 직면하여 '유연적 전문화'로의 전환이나 '자본의 세계화'를 일으켰고 그리고 그러한 재구조화된 경제를 담기위한 공간재구조화는, 일부 경제부문과 일부 지역에 문제를 일으키고 있으나, 국가재구조나 효율적인 지역정책으로 비교적 완만하게 진행되고 있다.

포디즘의 위기는 지방정부로 하여금 지역경제발전을 위해서 더욱 적극적으로 지역경제에 개입하도록 부추겼다. 지방정부들은 지역경제발전을 위해서 재충전하고 있고 국가내에서 그들의 역할을 재규정하고자 제도적인 변화를 일으키고 있다. 지방정부들을 따라서 그들 지역경제를 재구조시키고 다른 국가나 세계적인 지역들과 경쟁하기 위해서 기업가로서의 역할을 선택하고 있다. 후기-포드주의 경제로서의 유연적 전문화와 기업가

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로서의 지방정부는 세계화와 후기-포드주의 사회를 위한 세계적인 선택이 되고 있다.

본문은 재구조화 과정에 있어서 정치경제적 관점을 광범위하게 다루고 있는 조절론에 주안점을 두고자 한다. 그리고 본문은 경제적 세계화와 세계화에 대응한 경제적, 정치

적 반응으로서의 지구지방화의 개념을 통합할 것을 시도하고자 한다.

주요어: 경제재구조, 국가재구조, 세계화, 지구지방화, 유연적 전문화