ECONSTOR
Make Your Publications Visible.

A Service of

ZBW Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Bömer, Hermann

Conference Paper

Political economy on modernisation of old industrial areas and the crisis of the new economy: the example of the Ruhr area and the citiy of Dortmund

42nd Congress of the European Regional Science Association: "From Industry to Advanced Services - Perspectives of European Metropolitan Regions", August 27th - 31st, 2002, Dortmund, Germany

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Bömer, Hermann (2002) : Political economy on modernisation of old industrial areas and the crisis of the new economy: the example of the Ruhr area and the citiy of Dortmund, 42nd Congress of the European Regional Science Association: "From Industry to Advanced Services - Perspectives of European Metropolitan Regions", August 27th - 31st, 2002, Dortmund, Germany, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:
https://hdl.handle.net/10419/115809

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

Political Economy of Modernising old Industrial Areas and the Crisis of the New Economy – the Example of the Ruhr Area and the City of Dortmund

Paper (draft) presented to the 42nd European Regional Science Association Congress
Dortmund, 27.-31.8.2002

Hermann Bömer
University of Dortmund
Faculty of Spatial Planning
Boemer@rp.uni-dortmund.de

Content

I. The crisis of the Ruhr area and of the city of Dortmund and the structural policy answers in the last 40 years

II. New economic clusters as a solution? The design of the Dortmund project

III. The political economy of the crisis of the "new economy"

IV. First results of the Dortmund project and perspectives of the economic and financial status of the area and the city of Dortmund

V. Modernisation as a necessary but not sufficient condition for solving the crisis: An outline of an alternative macroeconomic and social-ecological strategy

List of tables

List of figures

List of tables

Table 1: Population and unemployment in the Ruhr area and in West-Germany 1970-2000

Table 2: Employed people in the city of Dortmund in the years 1970, 2000 and 2010

Table 3: European telecom companies under pressure (2000/2001)

Table 4: The start-up list for UMTS

Table 5: Prospected budget volumes (without investments) and deficits of the city of Dortmund (2002-2007) in Euro

Tab. 6: Forecast of employed persons in the local labour markets of the conurbation Ruhr and the regions around 1997 – 2004

Appendix:

Table A1: Trend of employment in selected sectors/ Ruhr 1976-1998 (the 66 statistical structure)

List of figures

Figure 1: The development of employment in the eight largest industrial branches in the conurbation of the Ruhr 1985-1995

Figure 2: The development of employment in the Ruhr-conurbation 1976-1998 – sectors of the economy

Figure 3: The relative development of employment in the Ruhr-conurbation 1976-1998 – sectors of the economy

Figure 4: The development of employed persons (Erwerbstätige) in the Ruhr-conurbation compared with selected metropolitan areas in West-Germany

Appendix

Figure 5: Employees in the regions of Northrhine Westfalia (NRW) – regional profile index 1998, basis: overall NRW

Figure 6: Employed people in the employment agency districts of the Ruhr area – regional profile index 1998, basis: overall NRW

Figure 7 The development of employed persons in the city of Dortmund in comparison to selected cities 1976-2000

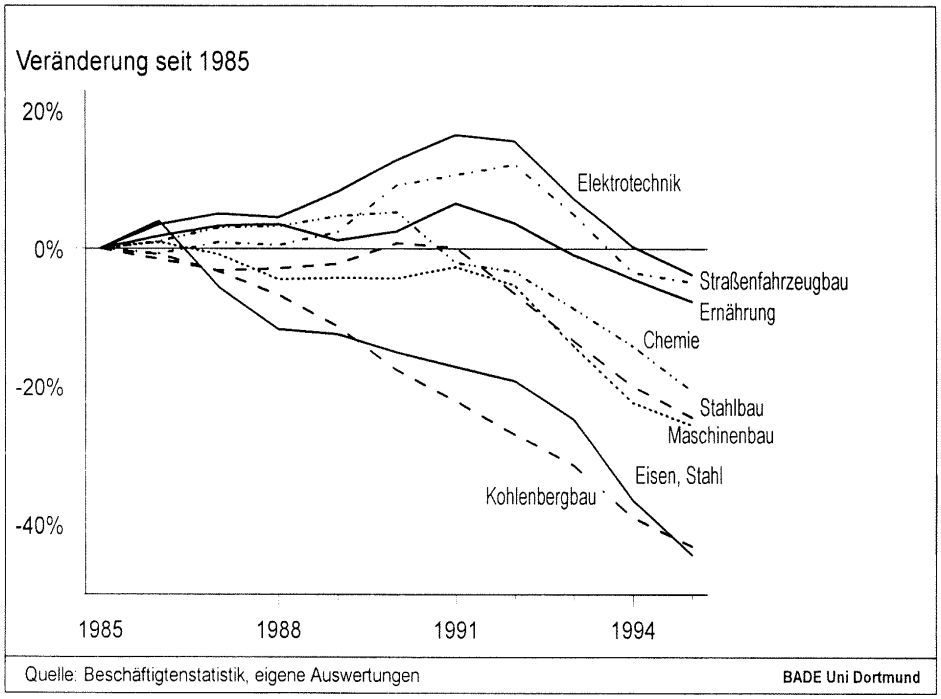
Figure 8 The development of employed persons in the city of Dortmund in comparison to selected cities 1976-2000 – alteration in comparison to the national standard (old FRG) 1976 = 100

I. The crisis of the Ruhr area and of the city of Dortmund

1.Employment development and structural problems.

The following figures and table A1 demonstrate what has been going on in the Ruhr area in the last 30 years. An almost total structural transformation of the economy in this coal and steel region, formerly the largest in western Europe, has taken place. More than 500,000 jobs have been lost in the two basic industries.

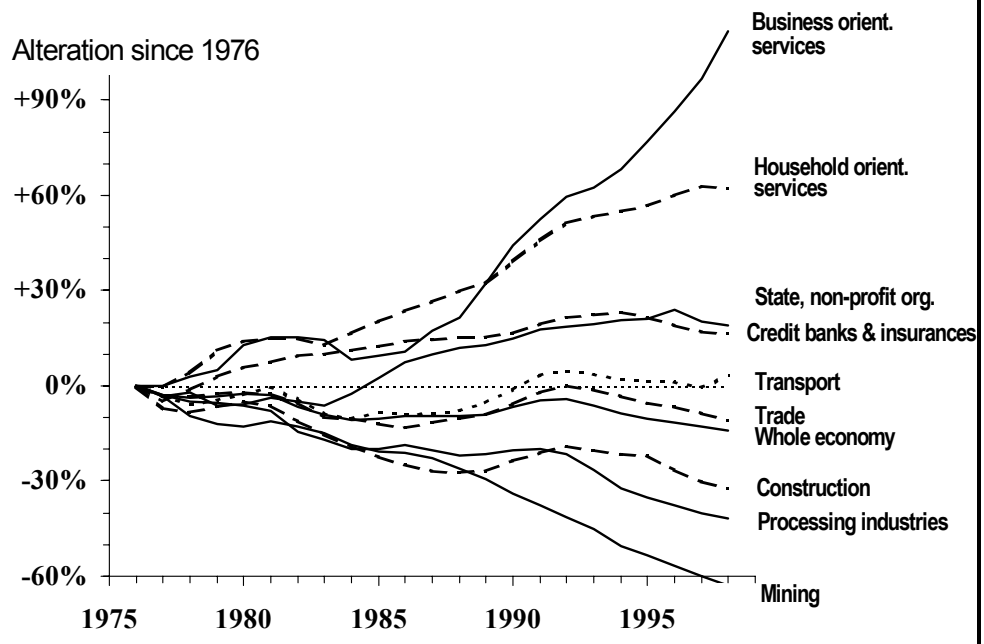
Figure A1: Development of employment in the eight largest industrial branches in the conurbation of the Ruhr 1985-1995



Source: KVR/DGB Ruhr-Memorandum, 1997,p 64 (Bade)

Legend from above to below: electrical engineering, motorcars industries, food industries, chemical industries, structural steel work, mechanical engineering, iron & steel, coal mining

Figure 2: The developement of employment in the Ruhr-conurbation ´76-´98 – sectors of the economy



Source: Bade, University of Dortmund, statistics of employment, own presentation

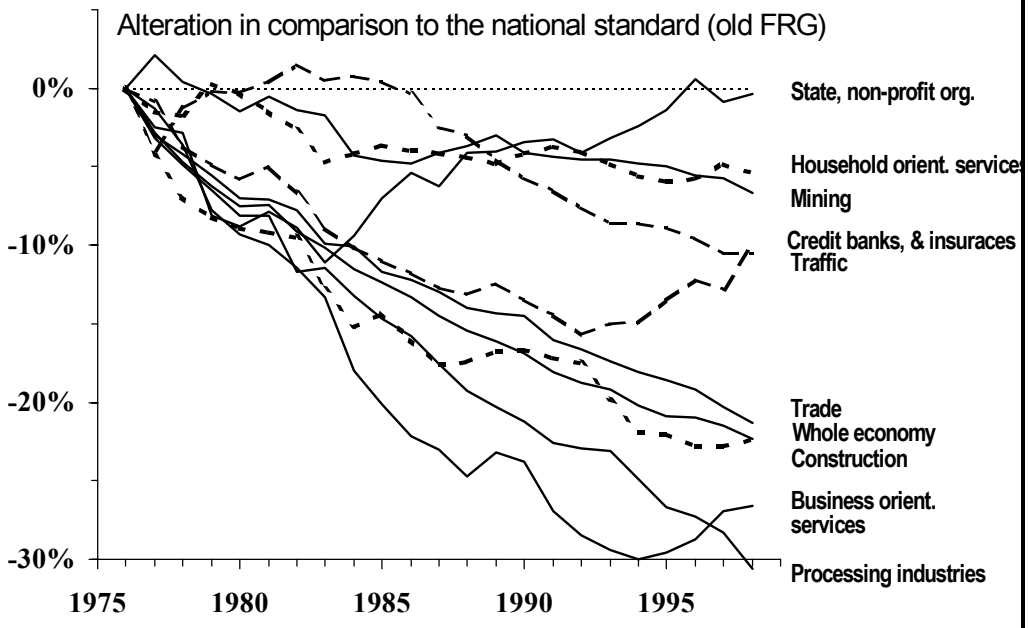
Source: Bömer, 2000c, 46

The development of the sectors of business orient. services, household orient. services and also banking & insurance looks quite good in absolute terms, but in relation to the average standard of the (old) Federal Republic, and especially in relation to their large agglomerations, the performance of the economy of the Ruhr area is very weak, as figure 3 demonstrates.

Figure 3 demonstrates that the capacity for generating employment in the production-orientated services (including r&d) of the region has declined relative to the old FRG. Bade´s hypothesis (1998) is that in the last 20-30 years there has been a strong correlation between the number of business-orientated services and the development of jobs in the processing industries and the other service sectors. This is the so-called *parallel thesis*. Because science-based industries are traditionally located in other regions, for example, in Munich or Düsseldorf, and because it is not possible to reproduce such an environment in every old industrial area in the space of two or three decades, this parallel thesis seems to make a good contribution to explaining the weakness of the Ruhr economy. Although the public part of innovation policy in the Ruhr area seems to be in some cases a success, the number of innovation-orientated jobs in private business is not large enough in comparison with other regions in Germany (see Figure 3). As the whole, therefore, the process of job creation in the Ruhr has, in comparison with other German metropolitan areas, not been very successful (Figure 4).

Results: a decline of the basic and other industries, an under-proportional growth of new industries and services, high employment rates (see Table 1) and a financial crisis in the local communities and the budget of the federal state of Northrhine Westfalia.

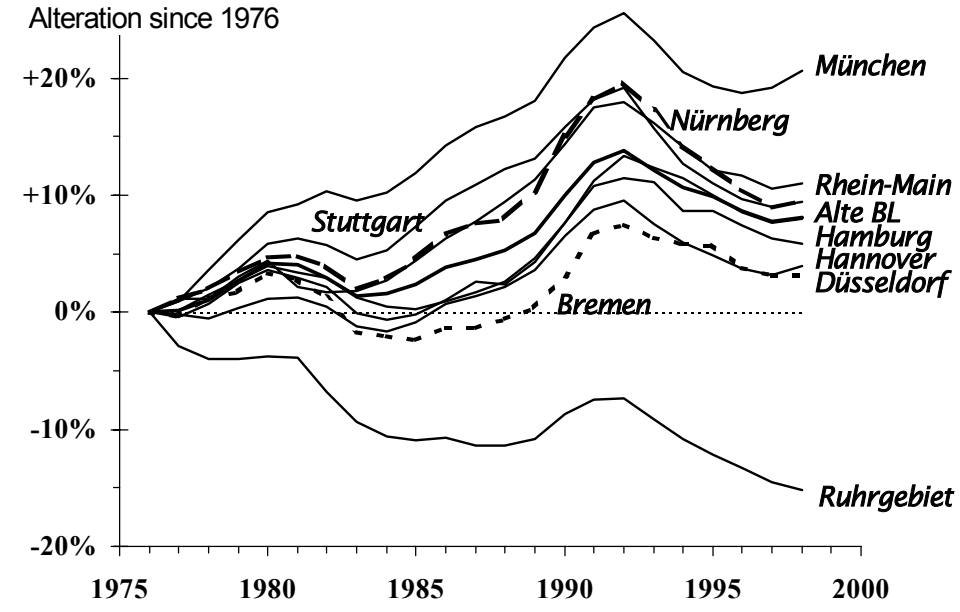
Figure 3: The relative development of employment in the Ruhr-conurbation ´76-´98 – sectors of the economy



Source: Bade, University of Dortmund, statistics of employment, own presentation

Source: Bömer, 2000c, 47

Figure 4: The development of employed persons (Erwerbstätige) in the Ruhr-conurbation compared with selected metropolitan areas in West-Germany



Source: Bade, University of Dortmund, statistics of employment of the Länder, own calculation and presentation

Source: Bömer, 2000c,47

Table 1 Population and unemployment in the Ruhr area and in West-Germany 1970-2000

Basic Data Ruhr area	**1970**	**1980**	**1985**	**1990**	**1992**	**1995**	**2000**
A) Population in 1,000.	5.599,5	5.396,1	5.192,4	5.396,2	5.443,5	5.440,5	5.359,2
Migration balance	15,352	5,752	-5,563	65,459	32,746	7,946	-7,037
Share of immigrants in %		8.2	7.9	9.7	10.4	11.0	11.1
B) Unemployed people (September)	12,500	104,232	268,709	231,616	222,280	269,735	279,415
Unemployment rate in % In () former FRG	0.6 (0.7)	5.7 (3.5)	14.2 (8.7)	11.9 (7.3)	10.1 (6.5)	13.2 (9.0)	12.2 (8.1)

Source: Kommunalverband Ruhrgebiet (Hg.) Städte- und Kreisstatistik Ruhrgebiet, different years; Bömer, 2000 b, 41

2.Policies in the last three decades: defensive and offensive regional strategies

Defensive strategy: socially controlled decline and modernisation of both basic industries (Bömer, 2000b, chapter 2 and 4; Bömer, 2001, chapter 2).
Offensive policies: five new universities, new infrastructure in the field of education, transport and housing (ibidem), intensive inward investment activities. Since the 80^{s} the phase of launching new clusters, like the software complex in the city of Dortmund or the logistics complex in Duisburg, has begun. This approach has been intensified since the mid 1990^{s} when it became clear that the decline of the coal mining industry was accelerating and the concentration of the steel industry was generating a new wave of rationalisation . Without reducing the steel production in the Ruhr area the Thyssen-Krupp company closed the steelworks in Dortmund in the year 2001, whereas in 1979 about 25,000 steelworkers earned their money in these works.

Today the Ruhr area is a semi-de-industrialised region, and the different parts of this area have very different economic and structural profiles (see figures 5 and 6, appendix). The city of Dortmund was very successful in generating a strong high tech complex , especially a 12,000 job software cluster. After the 1997 decision to close the steelworks in Dortmund a public private partnership of the city of Dortmund, the Thyssen Krupp company, the state government of Northrhine Westfalia, the chamber of industry and commerce and the trade unions launched the so-called Dortmund-project as a specific local, economic development approach to push the economy of the city forward and to decouple the development in Dortmund away from the ongoing general decline of the region (see chapter II). McKinsey designed the project, although years ago some similar proposals had been made by the trade unions and some consulting firms which designed these basic lines for the economic development department of the city of Dortmund (Arbeitnehmerfraktion, 1997).

Figure 5 (see appendix) indicates that the former industrial heart of Germany, the Ruhr area, nowadays is a very low-industrialised region in NRW. Figure 6 (see appendix) demonstrates the different economic structures of the different parts and cities of the Ruhr area.

Looking at these differences it seems to be understandable that some local groups and politicians are trying to get away from the decline trends of the common regional tanker Ruhr, just as the city of Dortmund is trying to do.

II. New economy clusters as a solution? The design of the Dortmund project

dortmund-project (www.dortmund-project.de)

In the year 2000 the city of Dortmund launched the so-called *dortmund-project* as an answer to the 1997 decision of the steel company Thyssen-Krupp to close steelworks in 2001 that had had about 25,000 employees at the end of the 70s. Thyssen-Krupp initiated and partly financed a consulting report and consulting process by McKinsey to develop a strategy for creating new jobs (mostly at the old steel sites) to compensate for the losses in the old basic industries. In cooperation with the local department of economic and employment development (WBF, Wirtschafts- und Beschäftigungsförderung) the following vision was presented.

The *dortmund project* and its six main goals (dortmund-project, 2000, 5)

1. To set up new anchor industries in Dortmund (information technology (IT), e-commerce, micro-systems engineering and e-logistics), shortly: A Major Centre of Germany´s New Economy
2. To strengthen companies already sited in Dortmund
3. To expand training and skills upgrading programs and promote R&D, thus meeting international standards
4. To turn the City of Dortmund into a modern business metropolis with a high living standard and unrivalled leisure-time facilities
5. To expedite planning and approvals procedures: one-stop shopping for start-ups and incoming companies
6. To substantially boost employment (70,000 new jobs –60,000in the new anchor industries; see Table 2)[1].

On the level of the Ruhr area the state government of NRW has called for a reduction in the unemployment rate by about 50% by the year 2006, the last year of the Objective-2 funds of the EU. Again this aim is very ambitious and seems to be a voluntarist cry and appeal to solve the problems without funding the necessary instruments.

Instruments

Main instruments of promoting the anchor industries are
1. the construction of incubator centres for IT and e-commerce (software-/e-factory), micro-systems engineering (MST factory), e-logistics (e-port), robotics and biomedical technology,

[1] This calculation is not based on much experiences in writing regional economic development programmes. The multiplicator between additional jobs in the export basis industries and those ones depending on the regional domestic demand is much higher than 7 to 6. The generation of additional 70,000 jobs needs maximum 35,000 in new anchor industries.

2. higher education activities in these sectors (E/IT Academy, expansion of the existing departments in the universities, a campaign at the high schools of the region to increase student intake),
3. start-up promotion via start-up competitions, business angel programs and venture capital companies,
4. creating a specialised business community in the new sectors by organising associations, networks and events.

Advanced studies of the clusters and dimensions of the "New Economy" and its regional impact in the eastern part of the Ruhr show very clearly that the city of Dortmund is a very important location for these clusters, that nearly all conditions of research and higher education for this sector are located in this city and that the local politicians and the business world are very conscious of this opportunity to develop these new anchor industries (see Arbeitnehmerfraktion im KVR, 1997; DGB Dortmund, 1999, Bömer, 2000 b, Roland Berger, 2001).

Table 2: Employed people in the city of Dortmund in the years 1970, 2000 and 2010

	1970	2000	2010 (forecast**)
basic industries	80,000 (coal, mining, breweries)	28,000 (IT, MST*, Logistics) 5,000(coal, mining, breweries)	additional 60,000 (IT, E-commerce, logistics); 10,000 in existing companies
All sectors	277,000	225,000	295,000

*MST: microstructure technology (incl. nanotech.); ** forecast by McKinsey, the official project managers of the Dortmund project and the local mayor
Source: Stadt Dortmund, 2001, page 4

III. The political economy of the new economy crisis[2]

1. The stages of the cycle: boom and contraction

The hype of the new economy speculation wave finished in March 2000. Key players of this poorly defined sector are the telecom companies which use the products of the network suppliers (like Cisco, Nokia and Siemens etc) and mobile phone producers (Nokia, Ericson, Siemens etc) and the software suppliers (Microsoft, Norton, SAP, Materna). Another key group – partly the same as the first group - is the internet providers, their software-producers and web-designers. In my paper "The regional impact of the „hostile" takeover of Mannesmann by Vodafone on the Rhine-Ruhr Region" (Bömer, 2000a) I described the mechanisms of speculation in the field of

[2] For a wide theoretical and empirical treatment of this theme from a political economy point of view see Bischoff, 2001.

mobile phoning at the end of 1999 and the first months of the year 2000 by looking at the Vodafone-Mannesmann takeover (see below).
The third group of important actors in this fundamental boom and crash have been the banks, especially the investment banks, the ánalysts´, the media people who generated the public feeling of endless success and also the national state governments who got large incomes by privatising their telecom companies and selling licences for the UMTS-generation of mobile phones. It seems to be important to note that economists and commentators believe that equity prices have remained until today (May 2002) "extremely high" (Financial Times, 18th of May, page 6). Also the UMTS engagements are very risky (see Table 4).

The results of the hype constitute a disaster which can be studied in the following table 3.

Table 3 European telecom companies under pressure (2000/2001)

	Deutsche Telekom1	France Telecom1	Vodafone 2	BT Group 2	MM02 2	Telefonica 1	KPN 1
Turnover in bill. Euro	48,3	43,0	34,3	32,6	5,1	31,0	12,4
Earnings before interest, taxes, depreciation in bill. Euro	15,1	12,3	11,2	3,2	0,6 (4)	12,8	3,6
Profits/losses in bill. Euro	-3,5	-8,6	-12,9	-0,5	no inform.	+2,1	-7,5

1: year 2000; 2: business year 2000/01 (new figures are not available); 4: estimated for 2001/02
Source: Süddeutsche Zeitung, 10.5.02, page 22 (Judith Raupp)

Three weeks after the publication of this table Deutsch Telekom published a loss of 4,7 bill. Euro for 2001 at its AGM and forecast a 6 bill. loss for 2002. Vodafone announced a 21.3 bill. Euro (!) loss before taxes. (Süddeutsche Zeitung, 29./30.5.02, p. 28), the largest loss in the economic history of Great Britain. Also the UMTS-future of this sector does not look very confident.

Table 4 The start-up list for UMTS

Company	Start	Employees*	Customers* in mill.	Planned UMTS start	Main owner
T-Mobil	July 2002 (D1)	9,500	23,1	2003	Deutsche Telekom
Vodafone	D2June 1992	9,000	21,8	autumn 2002	Vodafone
e-plus	May 1994	4,200	7,5	2003	KPN Mobile 77.5% Royal KPN

					22,.%
Mobil Com	1992	5,700	5,0	4th quarter 2002	Mr. &Mrs. Schmidt 50% France Telecom 28.5%**
O2 (earlier Viag Intercom)	October 1998	3,900	3,7	mid 2003	mmO2 (earlier British Telecom)
Quam	Nov. 2001	900	0,1***	Beginning of 2003	Telefonica Moviles57.2% Sonera 42.8%

* At the end of 2001, because Mobilcom and Quam do not own their own networks, their customers are included in the number of the other suppliers.
** The structure of owners will change and therefore also the UMTS-timetable.
***Mid of April 2002
Source: Die Zeit nr. 21, 16th of May 2002, page 23; authors translation

In my Brno paper I wrote:

"Overpricing and overspeculation

In my view nobody is able to demonstrate seriously that such prices (which have been paid for company mergers on the mobile phone market) will make it possible to earn money in the future, even if it is recognised that they partly financed the takeovers with their own money, namely their shares. One reason is that the prices for phoning have become very low, that the products of telecommunication services are very homogenous and that in such markets even an oligopolistic market structure does not guarantee over-proportional profits. The share rate–profit ratio (Kurs-Gewinn-Verhältnis (KGV)) has become extremely high in the "new economy". Satiated markets will be seen even in the mobile telephone market in the next two or three years, although the next generation of mobile telephones based on the UMTS-standard will expand the turnover of this sector – but in a very unknown dimension - whereas the costs of obtaining a licence and investing in the new infrastructure are extremely high. But if you ignore these basic issues and only follow the internal logic of the game of a stock exchange boom in combination with a classical founder´s boom…, you may also find some of the present arguments for playing this game.

The logic of the process of centralising this market requires the bosses of these firms to make their own corporations valuable (schwer) in terms of total stock market prices….The share rate-profit ratio of Mannesmann was 347.99 on 23rd December 1999 in comparison to about 11 for Volkswagen and other classical blue chips! One explanation is that in *exploding new markets* not turnovers and profits determine the exchange rates but the **EBITDA, the *Earnings Before Interests, Taxes, Deterioration and (Goodwill-) Amortisation***. Indeed this key figure has risen dramatically in the last years. **Corporate daring is rewarded and is reflected in this indicator** (Honoriert wird dann unternehmerisches "Draufgängertum"**).** But at the end of the day the share rate – profit ratio will again dominate the share pricing at the stock exchanges. And no one can be really sure whether corporations like Vodafone (or Deutsche Telekom, France Telecom etc.) will be able to earn money in the future, because they have high debts (see below) which have been accumulated in the last year and will increase by 2001" (Bömer, 2000a, 10f)

Because the door to financing any more debts by the emission of shares in the year 2001 closed the telecom companies launched huge capital market bonds for which they had to pay interest. Deutsche Telekom, for example, has a debt volume of about 67 bill. Euros. They also tried to sell all their activities and property assets which were not part of their key- activities. But sometimes this escape route seemed to be closed, because – look for example at the television-cable activities of the Deutsche Telekom - the media-industries and companies themselves are in the midst of a crisis (ish in NRW, Kirch Media, digital television in Britain, Vivendi in France and so on). In the early summer of 2002 Deutsche Telekom (DTAG) again tried to launch a jumbo bonds emission of about 8 bill Euros for which they had to pay about an eight percent interest rate. This rate is very high, because the WorldCom crisis is also affecting DTAG and the other companies like France Telecom, British Telecom and Sonera who all are supposed to emit similar jumbo bonds in the year 2002.

What could be a solution to this situation?

Normally some companies have to go bankrupt. The US-company WorldCom and maybe the German-French-Mobilcom could be the first candidates to go bankrupt. But some of the telecom companies are still partly owned by the states (Deutsche Telekom: 43%, France Telecom). In any case they are national champions who at least in the past were, at the end of the day, protected and helped by the national states. So it seems to take more time to destroy the over-accumulated capital in this sector. That means that the real investments in this sector will continue to remain on a very low level. The telecom companies will not pay taxes on profits for many years. This deepens the financial crisis of the Federal State of Northrhine-Westfalia[3] and the cities where some of the headquarters are located (Bonn, Düsseldorf). Beside the investments that are necessary for establishing the minimum UMTS-infrastructure they reduce their investments radically. So the network providers and producers also have lower turnovers.

Summary: the crisis in the main parts of the new economy is deeper than discussed in the public. So the investments remain low, and it is much more difficult than it seemed to be two years ago to take this sector of the economy as the most important one for tackling regional and local economic crisis, as was done in the Ruhr area and especially in the city of Dortmund.

IV. First results of the dortmund project and perspectives of the economic and financial status of the area and the city of Dortmund

1. First results of the Dortmund project (at the end of 2001, see dortmund-project (Hg.)(2002)):

- Important steps have been taken to found the main institutional and physical infrastructure of the Dortmund project: incubators like the e-logistic centre, the biomed-centre, the B1st Software Factory and the Centre for Microsystems Technologies have been started or launched.
- The main sites for the future high technology activities of firms have been developed successfully (Stadtkrone Ost) or are in the starting phase

[3] Within two years the net debts of the state of NRW grew by 8,1 bill. Euro from 79,5 to 87,6 bill. Euro (SZ, 14.6.02, 41).

(Phoenix-West). All these important preconditions for a successful development of these new economy activities have been accepted by the state government of NRW. The key elements of the dortmund-project are part of the list of the most important cluster activities which are supported and supposed to be subsidised by the state government and the EU in the years 2002-2006 (Projekt Ruhr, 2002).

- Also the activities to strengthen human capital in the IT sector have been successful: three start-up competitions have been realised. The ITC, a school for a two year course for IT professionals, is in its second year, the number of students in informatics has grown significantly; 300 experts are voluntary consultants and business angels for start-ups.
- In Dortmund the total number of the employees fell from 194,684 in 1998 to 190,223 in 1999, but rose again to 197,214 in the year 2000- The number of unemployed people has been reduced from 41,001 in 1998 to 36,188 in 2001 (30.6.).
- The number of jobs and firms () in the IT industry (mainly software industry) grew from 9,650 (440) in 1999 to 12,200 (645) in 2001; in the microstructure technology industry from 950 to 1281 and in the logistics industry from about 12,000 to 13,000.

But it should not be forgotten that these results happened mainly in the years of the hype and the initial crisis of the new economy, and that rates of growth like 30% between 1999 and 2001 in the IT sector are part of the past and will not appear again in the future. So the aim of 60,000 jobs in the anchor industries seems to be a very voluntarist provision (Bömer, 2000b, 11). Finally all main indicators of the general strength of the economy of the city of Dortmund have not become fundamentally better than in the past.

Some aspects of the accelerating crisis in Dortmund:

- Materna, the largest independent software house in Dortmund, decided to cancel the new construction of the headquarters office block at Stadtkrone Ost, a 100 mill. Euro investment. Also the 45,.000 square meters Europa-Center investment at this site is has not left the pipeline. (The 2001 turnover of office space has been about 25,000 square meters (Wirtschafts- und Beschäftigungsförderung Dortmund, Immobilienmarkt Dortmund 2002).
- The state government of Northrhine Westfalia decided to launch a huge 1.4 bill. Euro budget expenditure cut in the year 2003 because of the fast growing budget deficits.
- The city of Dortmund budget deficit has exploded from a balanced budget in the years 1999 and 2000 to the following figures:

Table 5 Prospected budget volumes (without investments) and deficits of the city of Dortmund (2002-2007) in Euro

Year	2002	2003	2004	2005	2006	2007
Expenditures (bill. Euro)	1.471	1.535	1.630	1.652	1.659	1.663
Deficit (mill.Euro)	116,8	189,2	253,6	261,9	269,7	258,8
Deficit in % of the budget	7.9	11.8	15.6	15.9	16.3	15.6

Source: Stadt Dortmund, Drucksache 02683-02, 3.5.02.

(These budget provisions contain the general reduction of expenditures of 10 mill. in 2003, 20 mill. in 2004 and 30 mill. in 2005)

Also on the national and regional level the new perspective of the financial status is nothing but depressing:

- To prevent the so-called "blue letter" from Brussels which deals with the Maastricht criteria problem of the 3 percent budget deficit limit in the year 2002 the German minister of finance agreed to launch a nearly balanced budget until the year 2004. For achieving this very ambitious – and in terms of economic growth extremely contra-productive - macroeconomic decision (see Arbeitsgruppe Alternative Wirtschaftspolitik, 2002, 42-61) in the spring of 2002 an agreement between the central government, the Länder and the associations of the cities, local communities and counties was made, which is called "stability pact between the federal, state and local governments". This "pact" limits expenditures and deficits of all three levels of the German public administrations and governments. Because of the very low growth rate of the GDP which is expected for 2002 (0.7%; 2001: 0,6%) and the next years public assistance for a fast expansion of the new economy sector will be reduced substantially.
- The costs of the flagship-projects like the Metrorapid (the name of the Transrapid, a new high speed magnetic train system between Düsseldorf and Dortmund, which is calculated with about 3.5 bill. Euro) - or 3-DO (a huge shopping-mall above the Dortmund main station which costs about 600 mill. Euro and needs about 135 mill. Euro grants from the state government) are growing fast. As long as the state and local governments continue to promote these projects there will be much less money for supporting the key areas of the economic development strategy, like the new technology centres, education and training and so on.

2. Does the city of Dortmund have a chance to move away from the negative trends of the Ruhr area?

It seems to be clear that after the decline of the coal mining industry and the concentration of the highly productive steel industry in the western part of the area (Duisburg) the different parts of the former coal and steel region have become very different in terms of economic structure. Figures 5 and 6 (appendix) present the so-called "regional profile index" which describes the differences of the shares of seven sectors of the economy between the average level of the land NRW and the cities and counties of the Ruhr area (Nordhause-Janz, 2002, p. 5 and 7). Also a new study of the RWI which deals with the commuter relations of the employees shows very clearly that the Ruhr area has lost its homogeneity – if it ever existed – in terms of the economic structure and strength (Schrumpf, 2001). But beneath the common heritage of the spatial results of the mining and steel industry und the settlements structure two very homogeneous factors exist which determine the economic strength of each part of the whole region: at first the rates of de-industrialisation (see figure 6, appendix) and unemployment are very high in all parts of this area, and secondly the financial situation of all cities is serious. So the different parts in terms of branches and structures have different perspectives – but all of them are negative in comparison with other agglomerations and neighbourhood regions, as figure 5 (appendix) shows clearly.

Tab. 6: Forecast of employed persons in the local labour markets of the conurbation Ruhr and the regions around 1997 - 2004

Labour-market	**Employed persons** (in 1000)		**Forecast 2004** share FRG	**Forecast 2004** Employed people
Name	1991	1997	Change in %	(in 1000)*
Conurbation Ruhrarea				
Duisburg	457,9	415,9	-5.8	391,8
Essen	321,5	305,0	-0.9	302,6
Gelsenkirchen	417,0	383,5	-3.5	370,1
Bochum	173,0	163,2	-1.5	160,8
Dortmund	490,2	450,8	-1.9	442,2
Hagen	96,4	85,4	-7.2	79,3
Total	**1,956,0**	**1,803,8**	**-3.2**	**1.746,1**
Regions around				
Düsseldorf	777,0	740,1	0.7	745,3
Wuppertal	242,9	211,3	-3.1	204,7
Schwelm	137,0	123,4	-2.4	120,4
Kleve	101,7	101,0	3.0	104,0
Münster	330,7	342,3	3.6	354,6
Borken	143,4	147,3	6.0	156,1
Steinfurt	166,5	161,0	2.4	164,9
Lüdenscheid	213,9	195,6	1.1	197,8
Soest	120,9	123,2	2.4	126,2
Total	**2,234,0**	**2,145,2**	**1.4**	**2,175,2**

Source: Bömer, 2000 b, page 85; F.J. Bade (1999): Regionale Entwicklung der Erwerbstätigkeit 1997 – 2004. Mitteilungen aus der Arbeitsmarkt- und Berufsforschung, Heft 4/1999, Nürnberg;
*author´s calculation; assumption: GDP-growth is as large as the growth of productivity; this means that the number of employed people in the FRG will be constant.

Dortmund has a much better perspective than Duisburg, Gelsenkirchen and Hagen. But in absolute terms it is still negative and also in relative terms in comparison with the neighbouring regions like Münster; Lüdenscheid and Soest.

Also a new special analysis of the University of Dortmund about the past and the provided future of the economic structure and activity levels of the city of Dortmund (Bade et al., 2002) describes very clearly that ceteris paribus the city of Dortmund will not be able to compensate the deep negative effects of the regional crisis by means of its own activities, although its economic development strategy is very ambitious and managed in a professional way (see chapter II).
From 1976 to 2000 in the city of Dortmund the number of the employed persons was reduced by 13.5%. Only in the years 1985-1991 and in the year 2000 did the amount of employed people grow. In the region Dortmund, Unna, Hamm, which includes the main sub-urbanisation areas of the city of Dortmund, this number fell by about 3% (Bade 2002, 9; see figure 7, appendix). The development of the employed people in Dortmund in comparison to selected large cities (Bade, 2002, 9) and the relative development of employed people in Dortmund in comparison to the development of

the old FRG have been very negative (Bade et al., 2002, 12; see figure 8, appendix). Dortmund lost 23.8% of its share of employed people (Duisburg 35.4%) whereas all centres of the agglomeration areas lost only 9.1% and the cities of Nürnberg 3.4%, Mannheim 8.3%, Stuttgart 9.3% und Cologne 10.7%. Also the productivity (gross value added per employee) in comparison to the average development of the former FRG fell by about 20%. In absolute terms the productivity of the jobs in Dortmund grew by 72% from 1976 until the year 2000, whereas the FRG (old) grew by 117.2%.

The sectoral structure of the city and the region is also very problematic because the share of the processing industry is only 13.4% (17.2% in the region) in comparison to the agglomeration centres (17.3) and agglomeration regions (21.9%) and the Federal Republic (24.5%). These data signal a large step towards a situation of de-industrialisation. Business- orientated services which normally expand very fast need the processing industry as a pole of demand. Cities with the best performance, like Munich or Stuttgart, do have a strong industry and a strong services sector (sectoral parallelity hypothesis) .

The Dortmund share of advanced services (financial sector, insurance, legal and economic consultancy, technical consulting, real estate and other business orientated services (marketing, advertising etc)) runs mostly at the average of Germany, although large cities and centres of the first category (Oberzentren) normally have an over-proportional share.

Also the shift-share analysis shows very significantly that the structure of the economy does not explain the over-proportional amount of losses in the processing industries and the under-proportional gain of jobs in the main sectors of the services industries. So the so-called location factor, which is a statistical garbage can, is very important. If all sectors of the economy of the city of Dortmund had developed like the sectors in Germany (old) at all between 1976 and 2000, Dortmund should have gained 17.000 jobs or 7.6%, the region of Dortmund about 15.000 or 3.8%. But in real terms Dortmund lost about 35.000 jobs, the region 36.000 (Bade et al., 2002).

V. Modernisation as a necessary but not sufficient condition for solving the crisis: An outline of an alternative macroeconomic and social-ecological strategy

The main result of my investigation seems to be that modernisation strategies in the sense of cluster policies and the approach of M. Porter and his diamond are a necessary but not sufficient condition for solving the crisis of large, old industrialised regions like the Ruhr or East Germany. So the interregional policies for strengthening the regions in crisis have to be improved. This improvement has to be discussed in two parts. First on the macroeconomic level and secondly on the level of national state and European regional policies.

1. A comparison between the policies of the Euroland (European Central Bank and the Eurogroup within the EU) and the UK monetary and fiscal policies in the nineties may open our eyes to some important differences in the monetary and fiscal policies which affect the general level of economic activity and employment (Arestis/Sawyer, 2002; Priewe 2002; European Economists for an Alternative Economic Policy in Europe, 2001): In the 90s the UK approach was much more Keynesian-orientated and therefore expansive than the continental one, which was very stupidly fixed on low inflation rates and low budget deficits, resulting in the large countries of the continental EU in much lower growth rates of the GDP and therefore in lower

employment rates. These macroeconomic influences cannot be compensated even by very good structural policies of the regions and the Länder.

2. The example of Merseyside and Liverpool shows that in an environment of expansive macroeconomic monetary and fiscal policies huge regional funds (EU-objective-1 funds) are able to stop or even slow down the decline of regions with severe problems.

Table 6 Merseyside and the Hinterland Region (Forecast Summary)

	1996	2000	1998	2001	2002*	2004*
GDP(%p.a.)	1.1	3.3	3.9	2.8	2.9	3.2
-Manufact.	-0.8	4.9	5.7	3.5	3.7	4.4
-Services	2.1	2.5	2.9	2.5	2.5	2.5
Employment	1098,7	1175,3	1127,8	1256,7	1273,5	1306,8
-Manufact.	206,7	224,7	212,9	237,6	242,0	248,8
-Services	892,0	950,6	914,8	1021,1	1031,5	1058,0
Unemploym.	128,2	78,1	89,3	70,1	69,9	66,1
Working Pop.	1226,9	1253,4	1217,2	1329,3	1343,4	1372, 9
Unempl. Rate (%)	10.5	6.2	7.3	5.3	5.2	4.8
Real Wage (% p.a.)	0.7	2.7	1.9	2.5	1.8	1.6

Source: Minford, Patrick and Stoney, Peter (2001/2002): Liverpool Research Group in Macroeconomics No.1/July 2001 and No.2/March 2002; * forecast

But, of course, this table does not tell us anything about the partly very poor quality of these jobs and the working poor problem.

3. An outline of an alternative social-ecological strategy

It is not possible to explain by purely regional factors the enormous rise in unemployment that took place in the Ruhr area between the end of the 1970s and the mid-1980s and which continued in the 1990s (a rise of 5,7% by 1980, 14,2% by 1985 and 11,3% by April 2002). The social and economic history of a region cannot be analysed without references to international and national history and policies. At the beginning of the 1980s a severe cyclical crisis occurred in all the industrial countries of the Western world. Furthermore, a rapid change in macro-economic policies, from Keynesian demand-side policy to neo-liberal supply-side and monetarist policies, took place.

An alternative macro-economic strategy agrees with the parallel thesis of regional economists described in chapter 1, but argues also explicitly that at the European and EU-member-state level an alternative *expansionist* macro-economic employment policy and a general *reduction of working-time* are the main preconditions for combating regional crises (European Economists for an Alternative Economic Policy in Europe, 1997, 2001). An analysis of disparities in income and unemployment shows that in periods of general growth the level and the deviation in unemployment rates between the regions and the member states of the EU declines, whereas in periods of economic crisis and stagnation these disparities increase (European Commission, 2001). Because of the necessities of sustainable development, the

expansive public investments and expenditures have to be concentrated in ecological, educational and social fields (Bömer, 2000b, chapter 5 and 6). These policies have to be implemented and accompanied by a substantial financial redistribution in favour of the regions in crisis. A modern, cluster-orientated regional and local economic strategy, as has been realised by the city of Dortmund and state government of NRW, is necessary, but by no means sufficient.
To criticise the unrealistic aspects of the new visions of the *dortmund-project* and the Projekt Ruhr (2000) is, of course, to walk a tight-rope because I do not want to damage the new feeling of a new age dawning.

References

Arbeitsgruppe Alternative Wirtschaftspolitik (2002): Memorandum 2002. Blauer Brief für falsche Wirtschaftspolitik – Kurswechsel für Arbeit und Gerechtigkeit. Köln

Arbeitnehmerfraktion in der Verbandsversammlung des Kommunalverbandes Ruhrgebiet, Deutscher Gewerkschaftsbund, Landesbezirk NRW (1997): Ruhr-Memorandum 1997. Zur Lage und Perspektiven der Ruhrwirtschaft. Bearbeitung: ISA-Consult. Bochum / Essen

Arestis, Philip/Sawyer, Malcom (2002): Geldpolitik im Eurosystem und Alternativen der Vollbeschäftigung. In: WSI Mitteilungen. Monatszeitschrift des Wirtschafts- und Sozialwissenschaftlichen Instituts in der Hans Böckler Stiftung, Heft 05/2002

Bade, F.-J. / Niebuhr, A. (1998): Zur Stabilität des räumlichen Strukturwandels. Institut für Raumplanung, Fakultät Raumplanung (Hg.): Arbeitspapier 158. Universität Dortmund. Auch erschienen in: Jahrbuch für Regionalwissenschaft. 1999

Bade, F.-J. (1999): Regionale Entwicklung der Erwerbstätigkeit 1997-2004. in: Mitteilungen aus der Arbeitsmarkt und Berufsforschung, Heft 4/1999. Nürnberg

Bade, Franz-Josef et. al. (2002): Wissensintensive Dienstleistungen in Dortmund. Unpublished paper, Dortmund

Bischoff, Joachim (2001): Mythen der New Economy. Zur politischen Ökonomie der Wissensgesellschaft. Hamburg

Bömer, Hermann (2000 a): The regional impact of the „hostile“ takeover of Mannesmann by Vodafone on the Rhine-Ruhr Region – a new paradigm for stakeholders in/ from traditional industrial regions in Germany? Revised Paper presented to the XIV AESOP-Congress at Brno, Czech Republic 18.-23.7.2000

Bömer, Hermann (2000 b): Ruhrgebietspolitik in der Krise. Kontroverse Konzepte aus Wirtschaft, Politik, Wissenschaft und Verbänden. Dortmunder Beiträge zur Raumplanung Bd. 101. Dortmund

Bömer, Hermann (2000 c): Changing Economy and the Evolution of Economic Development Policies in the Ruhr 1978-1998: What are the Perspectives and

Different Concepts under the new Conditions of the European Monetary Union (EMU)? In: Chris Couch & Hermann Boemer (eds) (2000): Economic restructuring, urban changes and environmental policy in the Ruhr and Merseyside, 1978-1998. A Report of Two Colloquia held at Dortmund University & Liverpool John Moores University during 1998

Bömer, Hermann (2001): New economy and new projects in old industrial areas – do they slow down the trend of decline? The case of the Ruhr area and the City of Dortmund. Paper (final version) presented to the First World Planning Schools Congress Shanghai 2001, July 11th-15th

dortmund-project (ed) (2000): The new perspective for Dortmund: A Major Center of Germany´s New Economy. Dortmund. See www.dortmund-project.de

dortmund-project (Hg.) (2002): Jahresbericht 2001. Dortmund

European Commission (2001) Unity, solidarity, diversity for Europe, its people and its territory. Second report on Economic and social Cohesion. Brussels

European Economists for an Alternative Economic Policy in Europe (1997): Full Employment, Social Cohesion and Equity in Europe. Alternatives to Competitive Austerity. A declaration and memorandum of European economists. Barcelona, Bremen, London, Paris. See http://www.epoc.uni-bremen.de

European Economists for an Alternative Economic Policy in Europe (2001): Economic Policy against Recession and Polarisation in Europe ! Proposals to overcome ideological sterility and policy blockades. See http://www.epoc.uni-bremen.de

Minford, Patrick and Stoney, Peter (2001): Grounds for Optimism. In: Liverpool Research Group in Macroeconomics (2001): Merseyside Business Prospect No.1/July 2001

Minford, Patrick and Stoney (2002): Merseyside can catch up with the rest. In: Liverpool Research Group in Macroeconomics (2001): Merseyside Business Prospect No.2/March 2002

Nordhause-Janz, Jürgen (2002): Das industrielle Herz schlägt nicht mehr im Ruhrgebiet. Veränderungen der Beschäftigtenstrukturen in Nordrhein-Westfalen. IAT-Report 2002-03. See http://iat-info.iatge.de/iat-report/2002/report2002-03.pdf

Priewe, Jan (2002) Fiskalpolitik in der Europäischen Währungsunion – im Dilemma zwischen Konsolidierung und Stabilisierung. In: WSI Mitteilungen. Monatszeitschrift des Wirtschafts- und Sozialwissenschaftlichen Instituts in der Hans Böckler Stiftung, Heft 05/2002

Projekt Ruhr (2002): Kommunale Entwicklungsschwerpunkte Ruhr. Positivliste, o.O. (Essen), 6.3.2002. See also: Project Ruhr GmbH (o.J.(2002)): Ruhr local authority selective development plans, o.O. (Essen)

Raupp, Judith (2002): Schlechte Nachrichten und alle büßen. Aktionäre über Kursrutsch verärgert. „Psychologische Übertreibung nach unten". In: Süddeutsche Zeitung, 10.5.02, page 22

Roland Berger (2001) (Hrsg: Ministerium für Wirtschaft, Mittelstand, Energie und Verkehr des Landes NRW): Kompetenzfelder für das Ruhrgebiet. Düsseldorf

Schrumpf, Heinz (2001): Gibt's es noch ein Ruhrgebiet? Essen. Rheinisch-Westfälisches Institut für Wirtschaftsforschung

Stadt Dortmund (2001) :dortmund project (Phase II- Umsetzung-2.Sachstandsbericht), Drucksache Nr. 01052-01

Wirtschafts- und Beschäftigungsförderung Dortmund (Hrsg.) (2002): Immobilienmarkt Dortmund 2002

Appendix

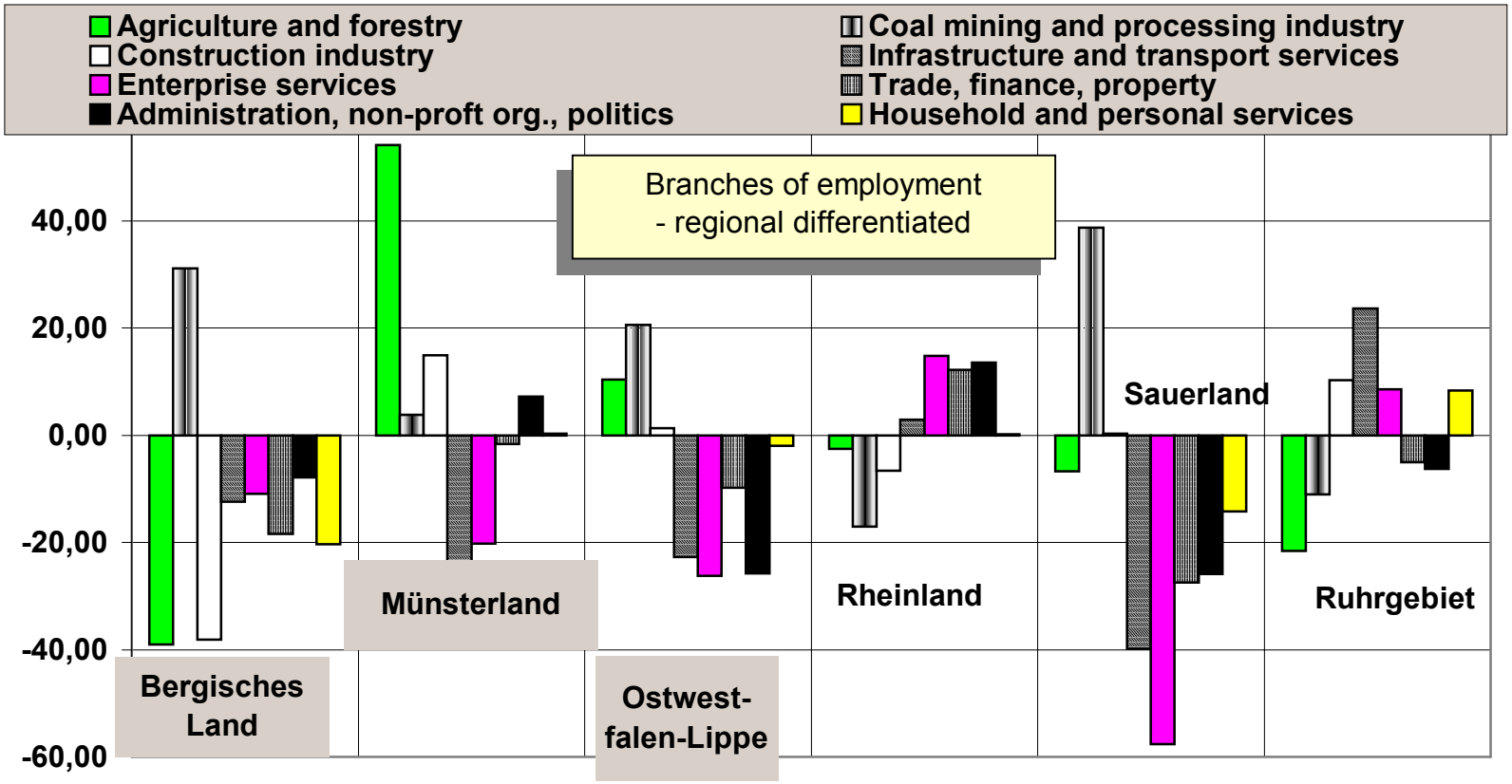
Table A1: Trend of employment in selected sectors/ Ruhr 1976-1998 (the 66 statistical structure)

Business sector, wage earning employees	1976	1980	1985	1990	1992	1994	1998	1998 to 1976 in %	1998 to 1976 in % (FRG)
Energy and water	30.192	30.362	29.526	30.356	31.074	30.807	28.508	**-5,6**	**+4,7**
Coal mining	160.588	138.359	122.323	100.777	89.206	74.622	55.151	**-65,7**	**-63,3**
Chemical industries	44.685	44.745	42.772	45.009	41.353	36.735	20.789	**-53,5**	**-17,6**
Iron and Steel	132.430	114.015	80.468	68.410	65.029	51.110	38.970	**-70,6**	**-66,9**
Steel forming industry	22.758	23.424	23.532	23.721	23.408	19.802	18.827	**-17,3**	**+9,8**
Structural steel work	26.514	29.041	26.762	26.985	25.042	21.410	16.844	**-36,5**	**-5,9**
Mechanical engineering	78.433	71.859	61.910	59.280	58.660	48.022	41.549	**-47,0**	**-15,4**
Motorcars industry	37.268	39.395	35.862	39.138	40.208	34.630	34.452	**-7,6**	**+16,2**
Electrical engineering	48.972	46.603	44.499	50.164	51.419	44.660	40.997	**-16,3**	**-13,1**
EBM-products	15.854	16.506	13.372	14.096	12.537	10.692	9.800	**-38,2**	**-5,1**
Food industry	31.549	31.445	30.679	31.441	31.786	29.360	23.592	**-25,2**	**-4,4**
Construction industry	105.851	97.841	75.622	72.582	76.417	74.091	59.606	**-43,7**	**-26,4**
Interior works	44.273	44.736	40.909	42.238	45.044	43.946	41.808	**-5,6**	**+16,9**
Wholesale trade	77.424	77.480	70.624	78.683	85.048	83.378	77.150	**-0,4**	**+16,0**
Retailing	158.139	152.826	136.420	142.885	150.380	144.097	133.345	**-15,7**	**+11,8**
Credit banks	26.126	28.489	31.039	31.449	32.467	32.841	31.489	**+20,5**	**+33,7**
Education	37.240	45.198	43.929	47.805	49.569	49.711	54.014	**+45,0**	**+62,1**
Hotels/ restaurants	26.994	30.664	34.621	43.547	48.532	51.508	57.429	**+112,7**	**+90,6**
Health services	63.366	75.308	82.810	94.985	103.735	109.878	111.360	**+75,7**	**+83,0**
Building cleaning	15.407	15.332	16.711	22.060	27.079	27.234	29.894	**+94,0**	**+127,6**
Private non-profit org.	19.786	22.127	29.247	35.570	38.313	41.115	47.063	**+137,9**	**+117,8**
Public institutions.	61.198	61.893	62.885	68.363	68.751	67.442	60.026	**-1,9**	**-3,1**
All sectors	1.612.714	1.568.742	1.444.869	1.504.414	1.546.605	1.469.367	1.388.222	**-13,9**	**+10,8**

Source: Bade, current documentation of the employment statistics

Figure 5 Employees in the regions of Northrhine Westfalia (NRW) – regional profile index[4] 1998, basis: overall NRW

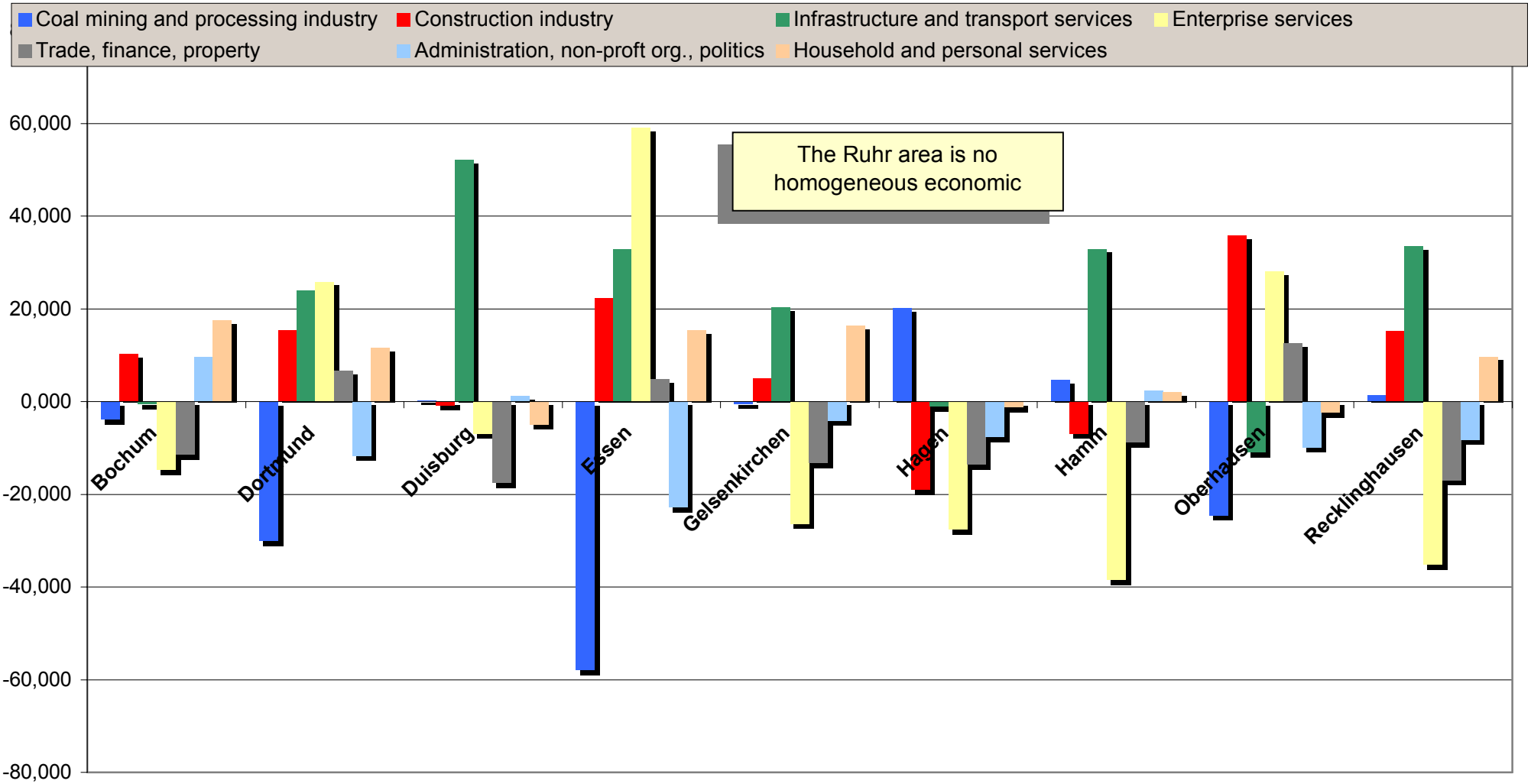
Figure 5: Employees in the regions of NorthrhineWestfalia (NRW) – regional profile index 1998, basis: overall NRW



Source: Nordhause-Janz, Jürgen (2002), page 5; authors translation

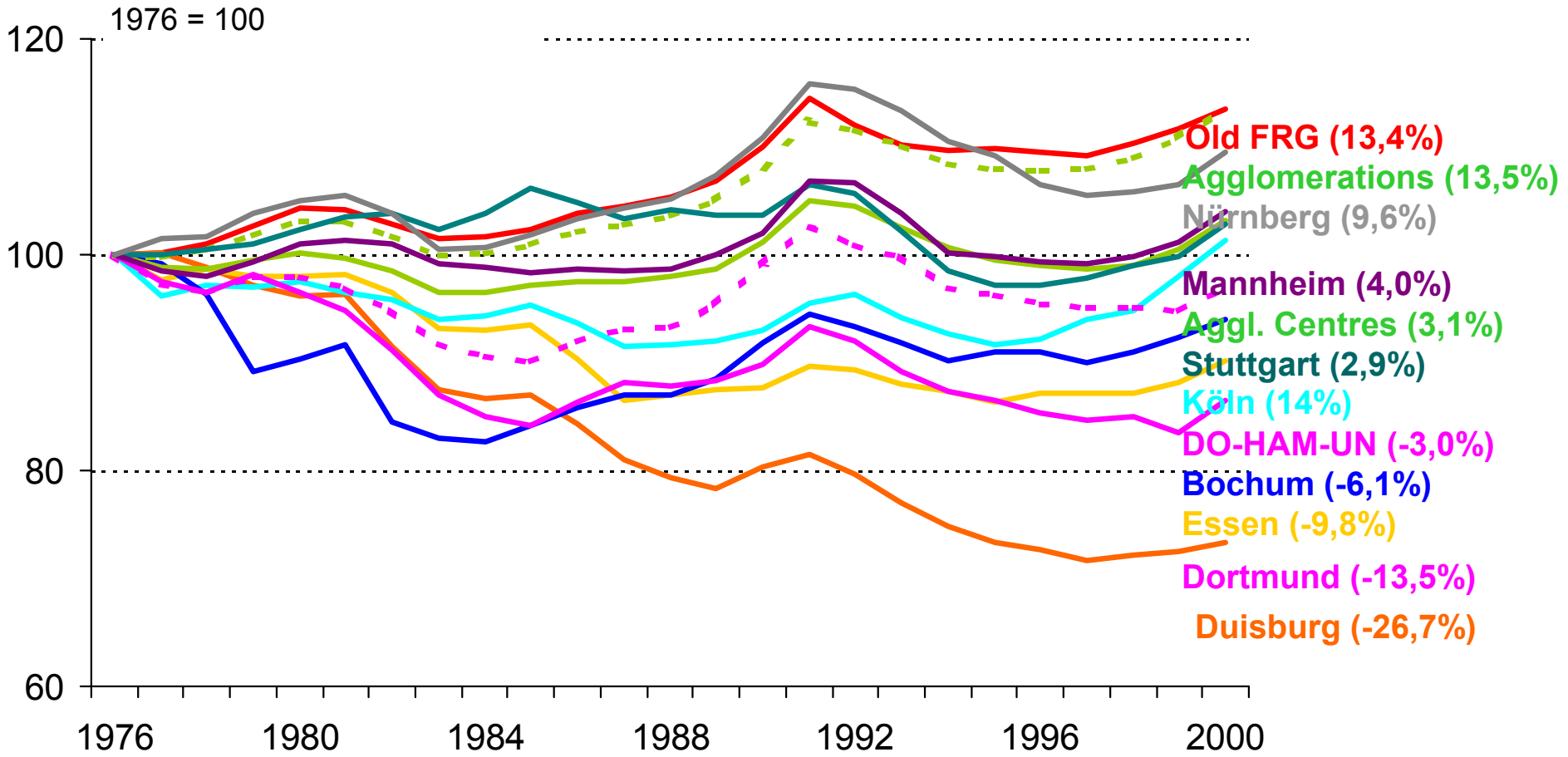
[4] The profile index compares the employment shares of each sector of a region with the shares in the whole region (basic region). Some mathematical operations limit the figures between –100 and +100. Positive figures indicate that the employment structure o f a region in comparison to the basic region (NRW) is more affected by the analysed sector. Figures around 0 show that the sector structure of region is quiet similar to the basis region.

Figure 6 Employees in the employment agency districts of the Ruhr area – regional profile index 1998; basis: overall NRW



Source: Nordhause-Janz, Jürgen (2002), page 7; authors translation; regional profile index see footnote 4

Figure 7 The development of employed persons in the city of Dortmund in comparison to selected cities 1976-2000



Source: Bade et al. , 2002, 9

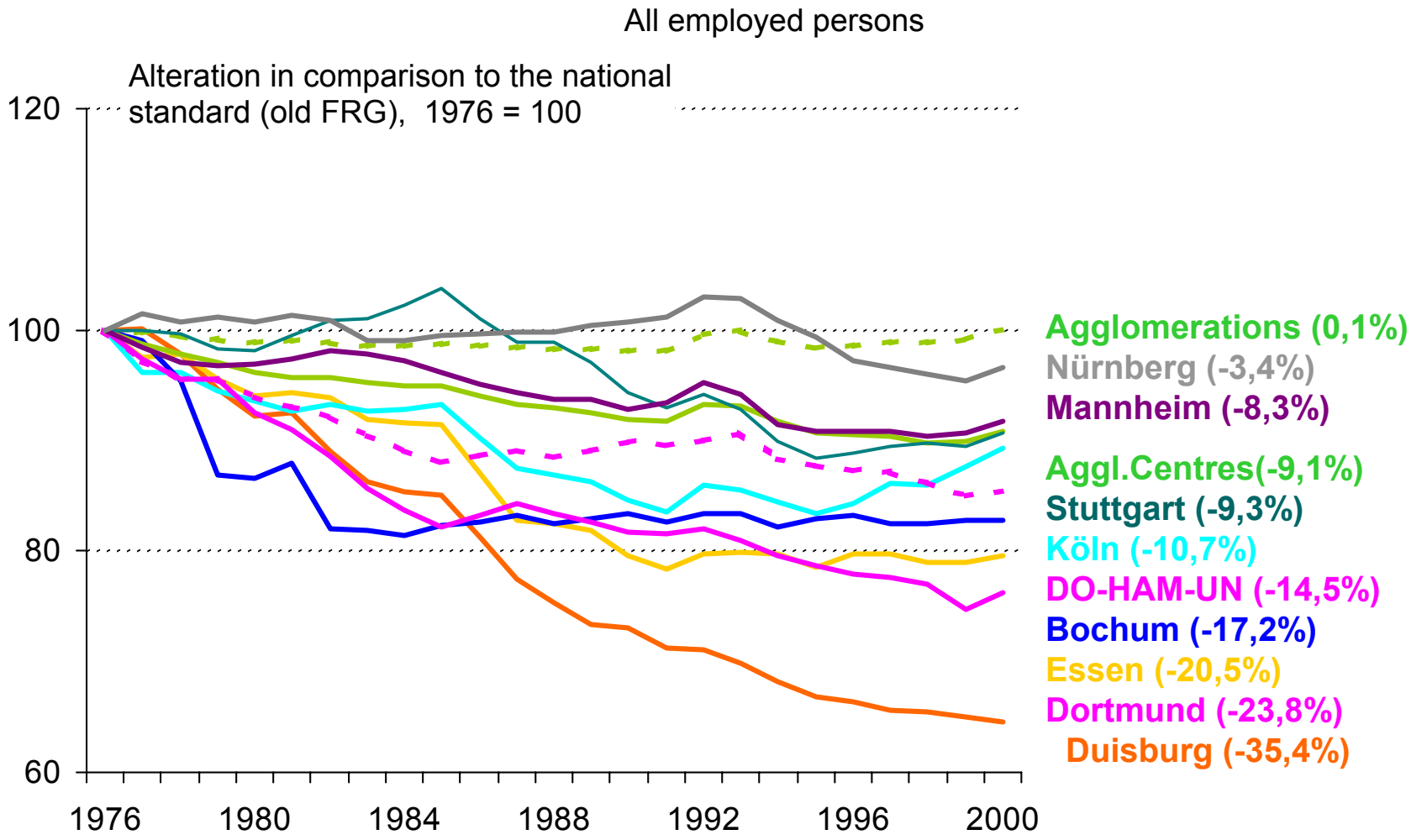


Figure 8 The development of employed persons in the city of Dortmund in comparison to selected cities 1976-2000 – alteration in comparison to the national standard (old FRG) 1976 = 100

Source: Bade et al. 2002, 12