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# 1

## Putting Business Restructuring in Context: Globalization, the Crisis of the German Model and Rhineland Capitalism

This German Model is history, the politicians know it, the labour unions, the employers' associations, the remaining countless lobby groups within the society. The parties know it as well ... the economists know it, pension experts, tax experts. And the ... population? The unemployed have known it for a long time, the pensioners have already recognized it too, and those in jobs at least foresee it. (Süßkind, 1996, my translation<sup>1</sup>)

### 1.1 Business restructuring, globalization and the German Model

This book has two aims. First, it seeks to investigate how companies in Germany adjust and restructure in the context of globalization and an apparent crisis of the German Model, putting emphasis on the reconstruction of the strategies of capital owners, of managers and of labour representatives. This is done by deliberately choosing, in the Ruhr Area, a traditional regional production system as both setting and point of departure. Second, the theoretical interest lies in providing explanations of how 'non-economic' aspects – that is, institutional, organizational and socio-cultural factors, are influencing processes of change and restructuring. Here, investigation adopts a specifically geographic perspective, linking and connecting processes across various spatial scales: the local, the regional, the national and the global.

The fact that capitalist firms have to cope with change is nothing new. And in the light of the far-reaching changes in the global space economy identified by scholars since the early 1970s, the need for local firms to respond to rapidly changing international competition and globalization is also well rehearsed in the literature. Recent theoretical advances notwithstanding, what is still missing in the debate, I believe, is a theoretically informed empirical investigation into how processes of corporate change are shaped by what many authors delegate to the realm of the 'non-

economic'. In the light of the apparent dualism in the literature between those who equate globalization with abstract, homogeneous space (the end of geography) and those who cling to traditional spatial concepts, that is the nation-state or the region as territorial containers, a stress on spatial scales as being produced by social practice is especially important. This book will therefore analyze the processes of socio-spatial change without assigning priority to any particular spatial scale and instead stress conflicts between business strategies and forces originating from spatial scales produced political-administratively (for instance, the nation-state, the administrative region), economically (for instance, investment decisions, movements of goods and capital) or socio-culturally (for instance, 'subjective space' defined by the perception and actions of individual actors).

Before providing a 'map' to the book, let me set empirical research in its wider context. To start with, 'globalization' has become a buzzword in academic discourse to an extent that it has almost become a 'dead metaphor', to use a term from Barnes (1996: 155). As I will develop in more detail in Chapter 3, globalization is understood in this book as a dynamic historical process, which on the one hand leads to increasing substitutability of place and thus to deterritorialization, stretching social relations in time and space. As such, it is deeply linked to processes of disembedding and detraditionalization. On the other hand, however, globalization is simultaneously accompanied by spatial fragmentation and differentiation, and by persistent and rearticulated traditions. Both forces are different sides of the same coin, they are dialectically linked. Moreover, globalization should not be seen as an all-encompassing and unstoppable force. Rather, the motivation for this book lies precisely in a dissatisfaction with the neglect of relatively persistent institutional structures and place dependence, and with the problematic use of one-sided notions of globalization in popular and academic discourse. The latter concern *neoliberal* readings of global integration, stressing spatial and cultural homogenization and the benefits of globalization, and '*conservative*' ones, often culminating in the fetishisation of place and territory, and emphasizing the negative features of the process. It is the currently hegemonic neoliberal perspective which increasingly regards the 'German Model' as being no longer tenable in the wake of global integration, demanding a substantive change of the system (see the epigraph to this chapter). This line of argument has been increasingly put forward both by representatives of large corporations and \*Mittelstand<sup>2</sup> firms across industries and sectors (see Hundt, 1996; SZ, 28 February 1996).

The Anglo-American reader, recalling the somewhat similar discussions and the decisive changes in the USA and in Britain during the 1980s, might wonder about this time-lag. It is important to note that both the delayed acknowledgement that the world has changed dramatically and the intensity with which the 'problem' has emerged almost overnight in Germany can only be explained by the events following reunification. For it was the

euphoria and optimism, accompanied by a resurgence of nationalism, immediately after 1990, that contributed to the post-unification economic boom. This boom glossed over the structural problems which many observers had already identified as the 1980s were drawing to a close. And what is important for this book is that, after the nation woke up to the reality, these apparent weaknesses came to the fore with even greater force. It is, therefore, that what may be regarded as a severe, but nevertheless cyclical economic downturn (the recession of 1992–3) had wider implications. It marked the beginning of a period of uncertainty and structural change in Germany, a period which only slowly has started to come to an end. An investigation of the changes which corporate Germany went through during this period can therefore be expected to yield important insights.

Having started to move to the concrete situation in Germany, let me briefly explain what is meant by *Modell Deutschland* (see Esser and Fach, 1981). A telling initial description stems from the economist Herbert Giersch:

In principle, corporatism includes the following: Rather than on the coordination of single economies through anonymous competition it puts faith in the solidarity between those who know each other, and this in markets which are protected against anonymous outsiders and social climbers. What matters is cooperation between guilds, cooperation in cartels, the interrelation between bureaucracy and interest groups, the hegemony of associations. The decisive thing here is the closure of markets – through protection against free-trade, through state-created market entry barriers, through compulsory membership [and] all forms of discrimination of outsiders. (Giersch, quoted in SZ, 9 May 1996)

Note that a crucial aspect concerns the propensity of German institutions to constrain price competition and to cushion against market forces (see also Streeck, 1997: 244). The best way to come to terms with the concept is to unpack the term as it is used in the academic literature. Three main levels of application can be identified:

1. In the widest sense ‘German Model’ is used as a label for a specific form of capitalism, a nationally contingent coupling of accumulation regime and mode of regulation, to use the language of regulation theorists. Regulationists have coined the term ‘flex-fordism’ or ‘export-oriented fordism’ in this context (Boyer, 1990a; Häusler and Hirsch, 1989; Jessop, 1989; Peck and Tickell, 1994). Other scholars describe the German political economy as ‘organized capitalism’ (Herrigel, 1996), as a virtuous interaction of consensus, corporatism and economic competence (Esser and Fach, 1989), as ‘stakeholder capitalism’ (Hutton, 1995) or as

#### 4 *Corporate Germany*

‘corporatist welfare state’ (Lash and Urry, 1994). It is argued that the international competitiveness of German capital was until recently maintained through corporatist arrangements aimed at modernization and austerity, above all by coopting the labour unions into a constructive role in the decision-making process. A further aspect of ‘corporate capitalism’ concerns the fact that German financial and industrial capital have always been deeply interlocked.

2. At a more meso level the German model is associated with a particular form of the organization of production, with stable and long-term inter-firm and capital–labour relations playing an important role. In particular, close ties between large and small firms, between producers and users, and producers and suppliers, figure prominently at this level (see Dunford and Kafkalas, 1992: 16; Harrison, 1994: 20; Herrigel, 1996; Kern, 1994).
3. Finally, at the micro level it depicts a specific production culture and organization of work within the firm, with emphasis on quality, formal training, skills and technological know-how, as embodied in the German institutions *\*Facharbeiter* and *\*Meister*, and the *\*Dual System* (Kern and Schumann, 1989; Kern and Sabel, 1994).

These three levels are closely connected, a feature translating through to the main institutions of German capitalism.<sup>3</sup> *Markets* are politically instituted and socially regulated and regarded as creations of public policy deployed to serve public purposes, with wide areas of social life (for instance, health care, education and social insurance) not governed by market principles; *firms* are social institutions, not just networks of private contracts or the property of their shareholders. Corporate control thus is an ‘insider system’ involving all stakeholders (for instance, employees, suppliers, clients, creditors) as opposed to the Anglo–American ‘outsider system’. Tradition-conscious small and medium-sized firms (SMEs), the *\*Mittelstand*, play an important role in the economy, displaying a strong sense of autonomy and a general hostility towards stock markets as a source of equity capital. The internal order of companies is a matter of public interest and is subject to extensive social regulation by law and industrial agreement; the post-war German *state* is neither *laissez-faire* nor *étatiste*, and is best described as an enabling state. Vertical fragmentation between the federal government and the *Länder* closely limits what political majorities at the national level can do, making political change very slow. An important feature here concerns the constitutional obligation to provide for ‘equal living conditions’ in all *Länder*, which has given rise to an extensive redistributive system of revenue sharing; widespread organized cooperation among competitors and bargaining between organized groups, conducted through publicly enabled *associations*, is probably the most distinctive feature of the German political economy; it is through

state enabled collective action and quasi-public, 'corporatist' group self-government that the German political economy generates most of the regulations and collective goods that circumscribe, correct and underpin the instituted markets of the *soziale Marktwirtschaft* (social market economy). Finally, German *economic culture* is to a large degree traditionalist, with high saving rates, comparably low levels of consumer credits and price competition being mitigated by socially established preferences for quality and an aversion to speculation.

Observers in the country as well as abroad increasingly question the long-term stability, the competitiveness and innovativeness of German corporatism, seeing the German model as being in a state of crisis. There is a general sense of *Angst* and uncertainty as to the capacity of the society and economy to reinvent itself in the face of globalization and to develop a sustainable after-fordist version of the German Model, the Anglo-American counterpart being regarded as superior in the current environment. While scholars generally agree upon the current problematic state of the German social economy, there are differences with regard to the long-term sustainability of the German Model, 'pessimists' (for instance, Albert, 1992; Streeck, 1997) standing against more optimistic scholars (for instance, Hollingsworth, 1997; Kern and Sabel, 1994).

## **1.2 Regional variation and Rhineland capitalism**

This book starts from the assumption that rather than assigning priority to any one spatial scale an approach is needed which looks at processes across the spatial scale hierarchy, with the 'regional' level playing a crucial role. This argument can be justified, if one looks at the historical development of the German political economy, in particular with regard to the evolution of the post-1945 political order. The German political economy is profoundly regionalized and spatially fragmented. Pointing at the existence of two ideal-type industrial orders in Germany, Herrigel (for instance, 1996; see also Schamp, 1995) criticizes much of the work done on Germany for neglecting regional variation. On the one hand, he identified a 'decentralized industrial order' which is 'composed of multitudes of highly sophisticated small- and medium-sized producers', on the other, an 'autarkic industrial order' which is 'dominated by very large scale, vertically integrated enterprises with close ties to universal banks' (Herrigel, 1996: 2–3). Both industrial orders have been faced with the same sorts of pressure historically, but have followed different trajectories of adjustment. Herrigel sees the former as the older order stemming from artisan roots in the seventeenth and eighteenth centuries, the latter as a product of industrialization which came into existence in the late nineteenth century. Regionally, *Baden-Württemberg* assumes role model status for the decentralized, *Nordrhein-Westfalen* and the Ruhr Area for the autarkic industrial order.

What this work illustrates is that any allusion to an apparently homogeneous 'German Model' in the literature should be treated with suspicion. The concept should therefore be seen as a heuristic device against which to 'measure' the concrete reality, for instance, as it is being presented by corporate stakeholders. And this justifies the decision to look at the sub-national level and the various regional manifestations of German capitalism. However, while Herrigel provides strong support for the inclusion of the regional level in any investigation, one might question the extent to which his ideal type distinction actually translates into truly distinct real world production systems. Just as Baden-Württemberg has elements of the autarkic order (take the role of companies like Bosch or Daimler-Benz), the Ruhr Area of course may have elements of the decentralized one. What one might agree on is the differing degree to which these orders may be present and integrated in any region.

With the Ruhr Area I chose a regional case-study which is more closely related to the autarkic order (Map 1.1). The main motivation for this stemmed from the conviction that Nordrhein-Westfalen and the Ruhr Area constitute one of the major nuclei of German capitalism, in particular with regard to the post-1945 era (see Abelshausen, 1983; Petzina, 1990; Schlieper, 1986), and that many of the problems confronting the German Model today have for a long time already been present in the Ruhr.

In what follows, let me briefly introduce the general features of the Ruhr production system. This necessarily includes both exemplary and specific aspects. A review of the literature on the historical evolution of the Ruhr economy revealed three general, exemplary features which serve to underline the claim that the Ruhr Area can be regarded as one of the nuclei of German post-war capitalism. The first concerns regional *inter-firm relations* and the *form of competition*. From the early years of industrialization onwards the regional economy was to be dominated by large conglomerates of the coal, iron and steel industries (= *\*Montankomplex*). By 1880 at the latest, large integrated companies began to dominate the regional economy, a development which was accompanied by an internalization of economic transactions hitherto coordinated by external market competition. This ultimately resulted in the vertical concentrated conglomerate so typical of the Ruhr Area and industrial Germany more generally (Weber, 1990: 237). What is more, the late nineteenth century saw an increasing propensity of iron, steel and coal producers to form cartels and syndicates in order to protect the industry from cyclical and structural pressures. The influence of cartels on the German economic system is regarded as having been more decisive than in any other country, and here cartels and syndicates in the Ruhr Area are seen as the 'most fateful in the history of German cartels' (Maschke, 1969: 233). Whether in the form of cartels or integrated conglomerates these developments in the heavy industries have widely been interpreted as a major factor behind a decisive change of German economic and political culture. Simply put, competitive capitalism

Map 1.1 Ruhr Area and Nordrhein-Westfalen in Germany



Note: Ruhr Area as defined by the *Kommunalverband Ruhrgebiet*.

was superseded by organized or controlled capitalism, with powerful steel, iron and coal conglomerates (*Montankonzerne*) increasingly forcing their way into national political circles and being able to influence decisions accordingly. Powerful and charismatic industrialists, such as Friedrich

Krupp, August Thyssen, Hugo Stinnes or Friedrich Grillo, played a crucial role in this. What mattered in the Ruhr was technologically efficient production and not orientation towards costs, prices and markets. The regional industrial elite thus solved economic crises 'non-economically', using instruments such as tariffs, cartels or associations, directly lobbying political decision-makers and seeking consensus amongst the relevant regional actors (Rohe, 1984: 140). This practice soon became institutionalized nationally and was to be used time and time again in subsequent decades.

A second characteristic and interrelated feature was the emergence of quasi-symbiotic relations between the local state on the one hand and industrial conglomerates on the other. Nowhere was this specific *state form* more evident than in the case of electricity and gas supply, the history of one of the case-study firms investigated in this book, the utility RWE, illustrating the amalgamation of public and private interests particularly well. When in the 1880s the explosive growth of the City of Essen made an expansion of electricity supply necessary, the city authorities opted for a solution which should have secured maximum public control. In a move similar to that of other cities Essen accepted an offer to build a power station by W. Lahmeyer, a large producer of electrical products from Frankfurt. The city authorities secured the right of close involvement and control of the building works, together with the understanding that the city would buy the infrastructure after some years in operation. The year 1898 thus marked the birth of the 'Rheinisch-Westfälische Elektrizitätswerk' (RWE), which soon produced enough electricity to supply the neighbouring towns and cities. When in 1902 the city authorities attempted to buy RWE as agreed with Lahmeyer, they found themselves initially outmanoeuvred by Hugo Stinnes and August Thyssen who took over the utility instead. Yet, the period of purely private enterprise ended when Essen and neighbouring Gelsenkirchen, worried about their dependence on a large private company, blackmailed Stinnes and Thyssen with regard to access to public land and acquired shares when the company went public in 1905 (Wiel, 1970: 278). In doing so, the soon-to-become largest electricity utility in Germany and Western Europe was transformed into a 'mixed-economy' company (Passow, 1916 quoted in Weber, 1990: 298). As we will see below, this historic development still carries implications for events in the 1990s.

A third crucial aspect relates to *capital-labour relations* and to the development of specific, institutionalized practices in the Ruhr Area. Although workers in the *\*Montanindustrie* have traditionally developed a strong sense of solidarity and a specific culture, a process which led to a distinct regional identity and regional political culture, miners and steelworkers in the Ruhr always were less class-conscious than their counterparts in other countries (see Rohe, 1984; Tenfelde, 1990). With this the Ruhr working class displayed socio-cultural features which are characteristic for Germany as a

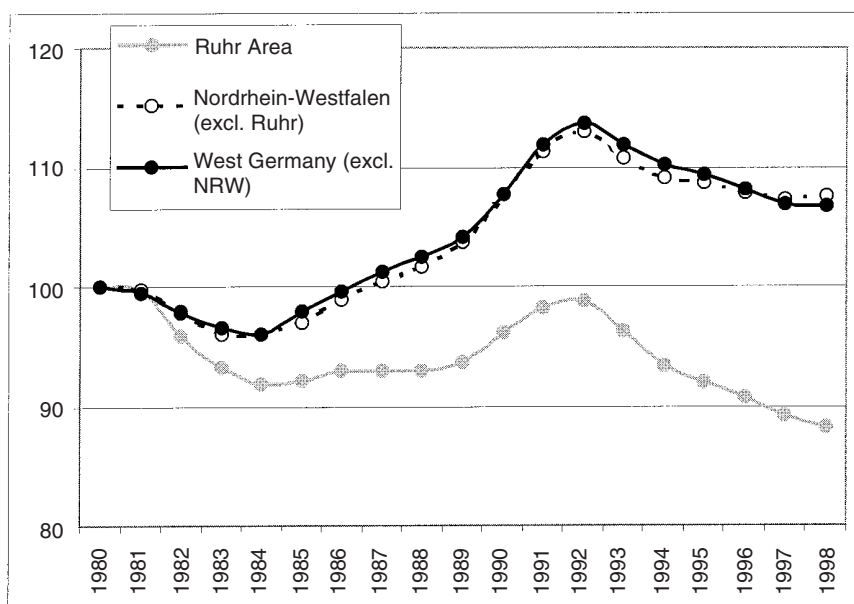
whole, two main factors explaining this peculiarity. The first concerns the fragmentation of labour in the Ruhr, the 'working class' being divided between 'native' and migrant labour, between different generations of immigrants, and between Christian-catholic and social-democratic traditions. These divisions had spatial dimensions, too, above all the north-south divide between the Emscher-Lippe region and the Hellweg heartland. Secondly and perhaps more importantly, the labour unions from early on exerted a moderating influence whenever radical demands were voiced from below. Accordingly, Tenfelde (1990: 201) concluded that during the turbulent late nineteenth and early twentieth centuries strikes would have been much more frequent without the labour unions' policy of containment. And similarly, after some tensions and upheaval, a lack of open conflict and an inclination towards cooperative problem solutions soon dominated capital-labour relations in the years following the Second World War. In other words, Germany's industrial heartland thus contributed to one of the main features of German capitalism, namely the cooption of organized labour into the German variant of the welfare state. The main institutional vehicle for this is the codetermination system (*Mitbestimmung*) which developed in various steps from 1945 onwards. The first of these steps originated in the Ruhr Area, when in 1947 codetermination in the mining, iron and steel industries (*Montanmitbestimmung*) was introduced in the British occupation zone. The *Montanmitbestimmung* law from 1951 constitutes the most far-reaching form of codetermination and thus the furthest labour was able to get involved in the 'insider system', legally enshrining the parity of votes between labour and capital representatives on the supervisory boards of all companies employing more than 1000 workers. The codetermination model was then in various steps expanded to the rest of the economy, with the important exception that in cases of a stalemate between labour and capital representatives the latter have the final say on the supervisory board. 'With the regulations within the Ruhr iron and steel industry', Petzina (1990: 504-5, my translation) concluded, 'a social and political model was predefined which constituted an essential element of the original consensus of the later Federal Republic'.

Overall, these characteristic historical patterns played a decisive role in laying the foundation of what has come to be seen as the German model of capitalism, as opposed to the Anglo-American one. Although not being diffused completely to the national arena, developments in the Ruhr Area had important repercussions for the German political economy (see Abelshauser, 1983; Petzina, 1990: 499). Not surprisingly, scholars, such as Albert (1992, 1997) or Hutton (1995) have therefore labelled the German Model with the term 'Rhineland capitalism', which aptly sums up the crucial role of the steel, metal and coal industries in the immediate post-war years and the influence of regional politicians from both main political parties (SPD, CDU) in shaping the German political-economic system.

Take, for example, the CDU's *Ahlener Programm*, the decisive politician of the immediate post-war era, Konrad Adenauer, or the dominant role of NRW and Ruhr representatives in both the SPD and the labour union movement.

However, general validity notwithstanding, industrialization of course assumed a specific quality within the regional production system, increasingly disadvantaging the Ruhr Area as it became locked-in to a specific development trajectory. After being at the heart of what has become known as *Wirtschaftswunder* (economic miracle) during the 1950s and 1960s, the Ruhr economy saw itself confronted with unprecedented problems as a result of industrial restructuring.<sup>4</sup> A look at employment figures clearly illustrates that the Ruhr has since 1980 underperformed the rest of NRW and the rest of the country (Figure 1.1). The increasing gap *vis-à-vis* the rest of the country and higher cyclical volatility is a reflection of the difficulties of finding a way out of the trajectory the region had become locked-in to (see also Grabher, 1993a). This is a direct consequence of the historical domination by the regional *Montankonzerne*. From the very beginning supplier sectors such as mechanical engineering were heavily focused on these leading industries and consequently show less sectoral

Figure 1.1 People in employment, Ruhr Area, Nordrhein-Westfalen and Germany, 1980–98



Data sources: BfA Sozialversicherungsstatistik, unpublished; KVR. *Regionalinformation* 9/97; own calculations.

diversity than in other German regions. A corollary of this was a limited range of products and product groups (Abelshausen, 1990: 441–2).

A further manifestation of this was a one-sided firm size structure, manifested by an almost complete absence of SMEs towards the end of the nineteenth century (Weber, 1990: 273). This specific historical feature has left its mark on the economy until today, the Ruhr still displaying a disproportionate share of larger firms as compared to the West German average (Kilper and Rehfeld, 1994). Finally, the traditionally dominant role of large industrial companies means that even today important service-related activities in the Ruhr Area are closely linked to and thus highly dependent on ‘manufacturing’ (Petzina, 1990: 516).

National *and* regional state governments throughout the period of economic restructuring explicitly adopted a policy of ‘socially cushioned change’, that is, the coal mining and steel industries were enabled to gradually reduce employment and capacity with the help of government subsidies. The phased-out transition is widely credited with limiting the social costs of restructuring and the extent of marginalization and deprivation associated with rapid deindustrialization. This is the main reason for the paradoxical situation that a region with persistent below-average employment performance and high unemployment rates is relatively better off than the rest of the Land NRW, if one looks at changes in unemployment numbers (Table 1.1, Figure 1.1). Regionally specific negative forces, that is, the one-sided industrial structure, are to some degree balanced by the elaborate national welfare and social benefit system as the numbers of the economically inactive increase through options such as early retirement.

The social system of production which evolved over time around coal, iron and steel had without any doubt been sufficiently territorialized as to justify the label ‘regional production system’. However, the changes briefly portrayed above have at same time challenged this territoriality. There is reason to believe, and this will be elaborated further below, that the traditional spatial congruence between economic, political and cultural definitions of what is the Ruhr Area has increasingly become porous and hollow. In other words, what exactly constitutes the Ruhr Area cannot be grasped by applying a traditional understanding of the region as a clearly mappable container. This is a further reason for the decision to start from the business firm and its actors, grounding changes in their spatial relations against traditional spatial configurations and then asking about what remains of the ‘regional’.

To sum up, although in a particularly accentuated way, the Ruhr has since the early 1970s had to struggle with problems with which the German political economy is increasingly confronted today. This concerns above all the sobering fact that political efforts to increase competitiveness and capacity for innovation endogenously have little positive effect on the labour market. On the contrary, in order to cope with and cushion ongoing

Table 1.1 Ruhr Area and Nordrhein-Westfalen, structure of unemployment, 1992-9

	Ruhr 6/92	6/99	% change 1992-9	NRW <sup>1</sup> 6/92	6/99	% change 1992-9
Total unemployment	214 667	302 211	40.8	342 032	527 027	54.1
Non-manual workers	68 447	107 966	57.7	123 532	205 208	66.1
Manual workers	146 220	194 245	32.8	218 500	321 819	47.3
Germans	186 852	250 231	33.9	289 887	427 878	47.6
<i>Gastarbeiter</i>	27 815	51 980	86.9	52 145	99 149	90.1
Younger than 25 years	27 677	32 040	15.8	44 257	57 606	30.2
Males	125 390	179 886	43.5	180 116	289 218	60.6
Females	89 277	122 325	37.0	161 916	237 809	46.9
Unemployment rates (%)	10.3	13.9		8.0	10.1	

Note:

<sup>1</sup> Excluding Ruhr Area.

Data source: KVR; own calculations.

restructuring costs, the regional political economy still relies heavily on the German welfare system. This links regional specificity with the general national context and – given the signs of strain in the German Model – provides further support for investigating regional processes of restructuring in a context of wider national and international changes.

Although not necessarily generalizable to the whole German political economy, an analysis of regional restructuring and changes can be expected to provide findings which go beyond the narrow focus on Nordrhein-Westfalen and the Ruhr Area. This holds all the more, since Herrigel's (ideal-type) definition of the autarkic order, in particular with regard to the inter-relatedness of small and large firms, appears to come closer to the situation of the German political economy as a whole (see the discussion of the German Model above). In other words, while I am cautious about equating the situation in the region with the one in the whole country, Herrigel may be criticized for discarding any notion of a German form of capitalism. This book, however, starts from a position closer to Kern and Sabel (1994: 605) who, while putting much of the current crisis rhetoric down to cyclical problems, nevertheless observe a qualitative break and departure from previous economic downturns, arguing that what is at stake is nothing less than 'the strategy of a *specific German combination* of product perfection, flexible process automatisisation, intelligent work organization and consensual regulation' (1994, my translation and emphasis).

And finally, rather than focusing on firms located in a regional 'success' story such as Baden-Württemberg, attention is drawn to a region which could be labelled a 'zone of intersecting industrial practices' (Gertler, 1992: 267) and which has already undergone a longer-term process of structural change. As an aside, and Herrigel (1996) himself acknowledges this, insofar as there are two distinct industrial orders or systems there is evidence of a convergence in recent years, a process which, for instance, includes decentralization and disintegration tendencies within large conglomerates and, as some observers believe, the possibility of an even closer interconnection between large and small capital in the future (Kern and Sabel, 1994).

### **1.3 A map of the book**

After introducing the reader to the book (Chapter 1) and outlining the theoretical framework (Chapters 2 and 3), the argument is developed using the following structure. The empirical part starts with large regional conglomerates, arguing that, as a result of their own internationalization strategies, large corporations are becoming increasingly dependent on international financial capital. This results in a partial adjustment of organizational practices and corporate cultures along Anglo-American lines (Chapter 4). By pointing to persistent practices and interaction structures at the regional

level, the 'Americanization' and 'cultural homogenization' theses are subsequently qualified. An important finding concerns the extent to which large regional firms continue to utilize traditional ties to other firms and to the state, and engage in both 'defensive' protection of traditional markets and 'offensive' expansion of the spatial reach of their activities (Chapter 5).

Following events down the production chain, medium and small firms in the Ruhr Area are indirectly affected by 'globalization', firms reporting the restructuring of large clients and regulatory rigidities as the main sources of environmental pressure. Investigating the reasons for failures and successes of 'upscaling' in the face of environmental turbulence, it is argued that political, economic and socio-cultural structures constrain international and national expansion of organizational space (Chapter 6). Like their large counterparts, the Mittelstand firms instead respond by falling back on routinized interaction structures and on traditional, predominantly regional relations. The strengthening of durable and routinized relations with some large clients, partner firms and workers is simultaneously accompanied by a 'disembedding' of others, with pressures being transmitted down the regional production system (Chapter 7).

This chapter order is chosen to reflect the apparent contradiction in the responses of the firms analyzed. Accordingly, Chapters 4 and 6 are mainly written from an analytical perspective stressing disembedding and de-territorialization, Chapters 5 and 7 from a position which emphasizes persistence and place dependence. Answers to the two central questions – the changing regulation of social relations and the role of geography in this – are developed in an incremental way, repeatedly abstracting from empirical observations. Chapter 8 is designed to draw the findings together, connecting competitive and cooperative impulses, the macro and the micro level of social relations, and social structures and space.

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