What do we mean by Regional Development?

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Introduction
When the discipline of regional development emerged in the 1950s it had a strong economics basis and a focus on what firms did in regions and how their performance influenced a range of economic indicators: employment, profit, GDP and growth.

Towards the end of the 20th century, regional development became far more multi-disciplinary in its approach. Political science, public policy and sociology became critical disciplines alongside economics focusing more on the notion of what a region might be and how a range of factors – not just economic – shaped the idea of a region.

In the 21st century economic geography has joined the disciplines and the focus of regional development is more on the spatial dynamics of regions – as places to live, work and invest. The focus for the discipline is just as much on people as drivers of regional development as smoke stack industries, regional development agencies and firms. People with their knowledge and where and how they use that knowledge is a key focus for research in regional development.

New theories of regional development focus on human and social capital, innovation and the spatial dynamics – demographic change – as key components in understanding how often small sub-national peripheral economies (SSNPEs) – such as Tasmania – are challenged to respond the pressures from a global economy – competition and the need to construct advantage in regional economies, not assume that what was good enough in the past – comparative advantage – will get the job done.

Whilst the way we look at regions has changed the focus, purpose and objectives around regional development haven’t changed that much, but the context for that analysis has changed dramatically.
A common thread for regional development concerns some kind of economic and social improvement:

- More and better quality infrastructure (soft and hard);
- Improved community services;
- Greater and more diverse volume of production;
- Lower unemployment;
- Growing number of jobs;
- Rising average wealth;
- Improved quality of life; (Sorenson, 2000)

Suggest that ‘all’ policy in SSNPEs is in various guises ‘regional development policy’.

**Themes and Impetus for Regional Development Policy**

Globalisation and the impact – positive and negative - on small, sub national peripheral economies is a central theme for regional development policy. This challenge has played out in the national political arena for over 30 years – plight of rural Australia; impact of national competition policy; the Hanson factor; infrastructure crisis (soft and hard) – health, education; telecommunications; through to roads, railways etc. Tasmania: debate on infrastructure (ownership and control HEC), energy policy (Basslink, Duke Energy, windpower); population decline; quarantine provisions (salmon and apples); policy options GMOs; national transport corridor (Bass Strait and airline access).

There is much argument and discussion about: Theories of Regional Development versus “Politics of Regional Development”.

The key focus here is battleline drawn up around the issue of “Can governments’ pick winners” or “Let the Market Rule, okay”.

This translates into Top Down versus Bottom Up. Developmental theories – Growth Poles – picking winners (Call Centres in Tasmania); the role of consultation and participation, bureaucracy as director/controller or facilitator; partnerships between various levels of government, business and government, role of entrepreneurship.

**Major Issues: A Slate of Dilemmas**

- Governments do not control or influence important causes;
- Many different approaches (top-down; bottom-up); inter-agency coordination;
• Policy impacts are subtle and long-term - policy stability is elusive (electoral cycle);
• Three tiers of Government: policy responsibility recently shifted from Commonwealth to fragmented and under-resourced local government;
• Many parts of regional Australia are disadvantaged but in practice, conditions are spatially diverse. The picture conventionally portrayed is flawed;
• Measures of regional well-being are suspect;
• Regional conditions are dynamic - economic expansion versus population decline;
• There is a wide range of circumstances: lagged adjustment, loss of environmental quality, excessive out/in migration;

Sorenson argues that the issues are diverse and we can put a lens on the issues by focusing on a number (10) factors that create that diversity.

Factors generating cause and effect in regional prosperity and development
• Biophysical Resource Endowment
• Geographical Accessibility
• Human and Social Capital
• Demography
• Changing Lifestyle Preferences
• Space Transforming Technologies
• New Production Technologies
• Expenditure on Public Infrastructure
• Business Management and Development
• International Events

These factors give rise to numerous development dilemmas:
• Biophysical constraints – farm sector – erosion; salinity; loss of native vegetation; water management issues; environmental capacity – productive, recreational, leisure and lifestyle.
• Interest Group Conflict – coast/inland; regional centres/peripheral country towns; national development/regional development; alternative infrastructure projects; infrastructure/services; regional residents/shareholders.

Assessment of Policy Dilemmas
Governments not only have to mediate between such conflicting interests, but do so:
• Within their overall limits of competence and available resources;
• According to their beliefs about what constitutes good government;
• Taking into account Constitutional responsibilities, and;
• Bearing in mind the interests of future generations.

**Whole of Government Policy Approaches?**

Donald Savoie (Canadian Regional Scientist)

- There are no panaceas;
- Regional development by its nature is very political and very local where ‘perception is often reality’;
- Regional development policy should be endogenous;
- SSNPEs need to move away from ‘cargo cult’ mentality;
- “Brain formation” is the main factor in economic development.
  Knowledge as distinct from capital and land will make the important decisions in the post-industrial era. This places and emphasis on education, research and development – the new knowledge economy;
- Attract foreign investment;
- Regional policy is often characterised by too many dollars chasing far too few solid projects;
- Regional policy is often described as the ‘politics of regional envy’;
- Elimination of regional disparities as a goal should be replaced by a focus on regional advantage;
- Cash grants are out and soft loans are in;
- Assistance should focus on: certain regions; firms needing to modernise to stay competitive and save jobs. Firms wishing to expand or create new economic activities would not qualify (private sector support);
- Regional policy is still riddled with overlap and duplication;
- Set a limited number of objectives (IT?) – as distinct from multiple goals and objectives - develop a strategy to achieve it across all government sectors;
- Export or perish

Governments over the last decade have tended to focus on two distinct, but contradictory, roles.
1. Facilitate adaptation and change;
2. Ameliorate the economic and social damage imposed by change on less adaptive individuals and communities.

Enhanced adaptation requires: skills, research and development; entrepreneurship and leadership; supply of risk capital, investment friendly macro-economic settings and a risk accepting community culture.

Low density of population hinders government amelioration attempts.
So, given this context, what theories can regional development bring to our discussion?

*Traditional Theoretical Approaches to Regional Policy*

There are numerous approaches to regional development, each providing a 'lens' through which we can examine particular issues. These analytic lenses provide us with a way of assessing policies and programs.

Theoretical approaches are important because they provide explanations as to why and how particular regional development “problems” emerge. This should inform our policy efforts to address the problem. This is important in a policy context because our focus is on “policy learning” – How do small, sub-national peripheral economies respond to the challenge of globalisation? What are other SSNPEs doing to respond to these challenges? Can we learn something, rather than re-invent the wheel?

Before we explore some of these approaches it is important to reiterate some of the constituent notions of regions and regionalism.

**What is a region?**

The concept of region is used widely - both in terms of policy and political but also in common usage. A region can be defined using a wide range of criteria, but common criteria include spatial or geographical variables. Common too are social or cultural elements, the latter points raise questions of identity and attachment to place (Quebec, Basque territories) - ie regions can be defined by cultural factors. Identity is a powerful force in development of notions of regions.

Regionalism is a process of creating or reinforcing regions, most notably through the cultural and social characteristics which go to identify and reinforce regions. Regionalism is the political manifestation of regional identity. It is the agency factor, it is the ‘voice’ of regions at the political level.

**Regionalism and regional identity**

The processes which contribute to regional identity are significant and may be an important reinforcement for policy prescriptions. It is worth considering the extent to which regional identity can act as a constraint, limiting alternatives and maintaining an inward looking view.

This point draws attention to the benefits and/or costs of regional identity, as positive forces regional identity can act as catalysts for ongoing development from within through the development and pursuit of grassroots initiatives. As a negative, it can stifle innovation and reinforce negative stereotypes.
**Approaches to the analysis of regional development**

Theories of regional development policy are ways of assessing the real world, generating explanations about current practice.

These theoretical frameworks also provide for the opportunity for comparison over time and space, subject to the limitations of comparative methodology.

**Staples theory**

This approach sees the concept of the staple as a key factor in the development of regions. A staple is a dominant commodity which provides the basis for the regional economy and society. Good examples would be wool, as a staple for regional Australia for the latter 19th century and in the post-war period till the 1980s.

Staples theory was greatly influenced by the work of Canadian scholar Harold Innis who studied the impact of the fur trade and fisheries, among other commodities on the growth of Canada.

These studies showed how exploitation of a staple provided regional growth, but when the staple declined or was replaced the region declined.

Staples theory provides a useful historical frame of reference but has been criticised for its lack of predictive ability. It does however indicate how commodity based economies are subjected to cyclical growth patterns, dependent on changing commodity prices.

**Core-periphery approaches**

These approaches are part of the broader circular causation models discussed in Higgins and Savoie. They explain differential development, that is how some regions are seen to be prosperous, while others away from the centre seem in decline. Thus the focus is on the relationship between the core area and the periphery, the regions on the outer areas away from the core.

These approaches have been developed to explain global development processes. John Friedman argued that developed cores in the industrialised west were sustained by exports of raw materials from peripheries and hinterland areas.

The core periphery model has also been significantly influenced by the work of Gunnar Myrdal, who applied the notion that flows to and from the core to the periphery explain differential development. He used the term ‘spread’ to describe flows of capital, innovations and people from the core to the periphery. He used ‘backwash’ to explain the flows from periphery to the core. Myrdal argued that in contrast to mainstream economic theory which promoted the ‘trickle down’ as an outcome of market approaches, backwash...
effects were very significant and indeed contributed to the very present decline of peripheral regions. The backwash spiral is important here as it helps explain continuing economic decline, taking into account factors such as migration (key problem for regions) and aging population etc.

**World systems**
This approach adopts an explicit neo Marxist framework to explain the development of regional disparities. The approach is associated with the work of sociologist Immanuel Wallerstein. Differences in levels of capital and labour help create conditions which favour some areas over others. These differences are fundamental to a capitalist economy which seeks cheap commodities and labour. Explains the relocation of investment capital to regional areas, taking advantage of cheap labour (USA-Mexico border).

**Internal colonialism**
This approach is closely associated with the work of Hecter who argued that regional development within nation states was analogous to the patterns experienced by colonies in their relationship to the colonial power. The colonies were seen as producing goods for the 'mother country' and thus development was focused on certain things. Eg Australia’s relationship with the UK before joining the EU. Benefits tend to be uneven and there is the additional concern of cultural imperialism. Hecter argues that such a pattern could be experienced within a nation state, with resource rich areas being exploited by capital rich cores.

**Dependency theory**
This is the view that regional differences give rise to disparities and that the response to these disparities from government through transfer payments, grants, assistance etc can in fact exacerbate problems and increase the level of dependency of the region.

This dependency on programs from outside the region is seen as a problem as it reduces the initiative and grassroots focus of local solutions to local problems.

This approach is clearly linked to a view of internal colonialism, that is, the region is 'kept' in a dependent state so it remains focused on its role vis a vis the centre.

However, the importance of economic impacts on regions make government responses common. Imbalances and disparities have political consequences that are driven by the social consequences of regional decline. A dependency approach tends to negate the ability of a region to break out of a negative cycle of ongoing decline.
**Developmental approaches**
These approaches see active intervention by governments in promoting regional development. This approach is driven by a view that economic growth is enhanced by 'pump priming', funding projects, and infrastructure development and support etc.

This approach is based on a view, that regional economic disparities reflect market failures and these can best be overcome by government intervention.

Emphasis on active government policy and action.

**Growth pole model**
One important variety of the developmental approach was the growth pole model. This approach was developed by Francois Perroux, based on the idea of economic magnets attracting development. The growth pole model argues that such magnets can be created and supported by government intervention, that initiates growth and help 'kick start' the regional economy. The idea is that economic development should be concentrated at certain local points. The purpose here is to produce self-sustaining growth.

Growth pole approaches in Australia were influential in the 1970s with the focus on regional policy particularly with government policy promoting Albury-Wodonga (Vic/NSW) Elizabeth (SA) as growth poles. In the 1980s and 1990s the growth pole model has undergone greater critical assessment, and the cost of such strategies increasingly recognised and criticised by neoclassical economists. The criticism is that growth poles produce “artificial economies’ where inefficiency is evident and eventually the market catches up.

**Neo-classical economics**
This approach to regional policy is essential one in which governments are encouraged to stay away from active intervention, but to recognise that regional differences and economic disparities are best resolved by the operation of the market. Thus this model of regional policy would see limited support for regions arguing that such intervention is costly and over time not effective. The Neo-classical economic response to regional decline would be that eventually wage levels and infrastructure costs would be driven down to a level that will make the area attractive to investment, that labour is mobile and that workers will move from areas of low employment.

These assumptions are problematic in the real world where such harsh prescriptions are difficult to sustain politically. Governments have found it difficult to avoid becoming involved in regional policy issues.
Globalisation and Regional Development in the 21st century: Innovation as the new regional challenge?

Globalisation has propelled new thinking in relation to regional development. Paradoxically, it has refocused our attention on ‘the local’ in a global knowledge economy.

This new context is represented by a re-shaping of our definition of regional development: “... a dynamic outcome of the complex interaction between territorialised relational networks and global production units within the context of changing regional governance structures” (Coe et al 2004: 469). For our purpose the emerging emphasis is on: dynamic; complex interaction; territorialised relational networks and; regional governance structures.

These concepts are critical to the 21st century notion of new regionalism.

New Regionalism (NR)

New Regionalism (NR) embraces a number of components or discourses. These include: associational economy, learning regions, competitive regionalism, and regional innovations systems (RIS). Our particular interest in this unit is on RIS.

NR is critical of both Keynesian (state-based) and neo-liberal (market based) approaches to regional development and argues that whilst useful, in the face of globalisation and the knowledge economy, both approaches have past their use-by-date.

NR argues that effective local governance is necessary to ensure regional competitiveness and sustainability in an increasingly globalised knowledge economy. Local governance becomes a key strategy in the promotion of regional development. This is an institutional approach supported theoretically by RIS – an approach we will explore in greater detail in a separate module in this unit.

NR connects increasing globalisation with the emergence of a knowledge-based economy. In a knowledge-based economy employment growth and regional prosperity are dependent on the generation and deployment of economically useful knowledge through the processes of localised learning and innovation.

It follows that NR connects these arguments about the changing political economy of regional development with particular types of governance. This argument supports the idea of government working in networks and partnerships with, for example, universities, vocational training and firms to produce learning and innovation.
This change in the objectives and organisation of governance is justified theoretically by arguing the knowledge economy is associated with: increased emphasis on investment in human and social capital and; a tendency to move away from hierarchical modes of organisation towards networked modes.

NR is thus underpinned by an institutional logic that argues that regions are entities created by people acting through networks, communities, firms, governments and non-market organisations. Here, a region becomes a ‘medium for social interaction’ (MacLeod and Jones 2001: 675). This institutional perspective is the grounding logic of NR.

New Regionalism and the Knowledge Economy
The emergence of the knowledge economy is linked to a changing emphasis on what drives growth in the global economy with a consequent shift from comparative advantage around firms – for instance – to competitive advantage, with the latter being driven by knowledge, learning and innovation.

In the knowledge economy there is a distinct shift in the mode of production from the traditional capital and labour divisions to knowledge generation and diffusion. Opportunities at the regional level for participation in the knowledge economy evolve where often existing networks are able to engage in these key attributes of the knowledge economy.

The knowledge economy entails a more collaborative view of economic growth and therefore more interest in the social and institutional conditions underpinning economic activity and away from the traditional (neo-liberal) concerns about material linkages (capital) and transaction costs.

Regional development policy focuses on clusters and agglomeration in the 1980s as the link to the knowledge economy literature and policy practice. Some cities and some regions had or established collaborative networks and they became key sites of knowledge activity and agglomeration – e.g. Austin, Texas; Dublin, Ireland; Stanford, California; Boston, Mass, USA; Seattle, USA.

NR draws from the emerging perspective that knowledge is becoming an important input to economic growth and links it to an institutional perspective drawn from the newly emerging economic geography literature that emphasises a multi-disciplinary approach to understanding the knowledge economy.

One of the claims about the propensity for the knowledge economy to offer opportunities for regions is that the existing social capital and commercial network formations, already existent in some regions, allows for the required trust and team-based forms of organisation. These in turn are able to respond
quickly to opportunities whilst hierarchical and bureaucratic organisations find it difficult to respond with the efficiency and timeline requirements.

In summary, the region can be understood – in the 21st century and late 20th century – as a constituted social order with people engaged in distinct political, cultural and economic practices. These practices are embedded and developed historically. These practices are also sustained and reinforced within networks, processes and infrastructures. Alongside this economic, political and cultural globalisation the drivers of economic growth and competitiveness are shifting and becoming orientated around knowledge, learning and innovation.

The challenge for regional scientists is to recognise this, analyse it, develop approaches that incorporate that knowledge and translate the outcomes into policy frameworks and recommendations in response to the challenges and opportunities confronting the regions they live and work in.

**New Regionalism and Learning**
NR argues that learning occurs through the sharing and diffusion of codified (formal) and tacit (informal) knowledge, which enables individuals, communities and organisations to improve skills, create new products and refine business processes. Codified knowledge is defined as information that can be transmitted and stored while tacit knowledge is more informal and tends to be experiential.

**New Regionalism and Innovation**
NR defines innovation as an output of this knowledge generation and diffusion that is produced at the scale of individuals and organisations (OECD 2001).

Rather than being an outcome of structural – scientific research and development – NR argues that innovation – at a regional level – is better understood as a locally embedded understanding and a more micro process.

In practice, NR argues that the actual process of innovation is sustained through the practices of individuals within these organisations and in more ad-hoc networks and communities generating and sharing knowledge. Further more these individuals within networks and communities tend to be locally embedded.

Four types of economic knowledge, which combine in innovation processes are identified: knowledge about facts or know what; specialised scientific knowledge or know why; knowledge embedded in social relations or know who; and; practical on the job skills or know how.

**New Regionalism: Implications for Policy**
NR argues that the role of government in regional economic development need to be reconceived as the governance of regional innovation systems.

There are two elements to this re-conception: (1) a substantial shift in policy priorities; and (2) an instrumental shift in the organisation and mechanisms of the state.

In terms of policy priorities the NR argues a shift is occurring from uniform industry level intervention to promote sector growth and full employment towards investing in the pre-conditions that support learning and innovation within particular regions. These pre-conditions include investment in education and training, supporting small and medium enterprises, and building up the networking capacity of firms and research institutions.

In terms of the instruments and organisation of government the NR argues a shift is occurring from a central and unitary role for the state toward governance through local partnerships with government as an enabler, facilitator and broker (Eversole and Martin 2005).

Some key research questions emerge from these introductory notes regarding NR and its linkages to innovation, regional innovation systems, governance and institutional design and intervention. They may encourage further research and reading around case studies and the regional science literature (see e-journals). These include:

- How do regions negotiate a shared vision and priority actions?
- How do they develop and sustain regional leadership?
- How do they build and sustain relationships of confidence and trust?
- How do regions establish increased control over decision-making and resource allocation?
- How do regions proclaim and measure progress and communicate that success?
- How do regions create a learning environment linked to organisational and skills development?

The NR literature condenses its broad answers to these questions around institutional intervention at a regional level. But before we look at that ‘model’ of intervention it will be helpful to be reminded about the theoretical foundations of NR and the cause and effect relationship between that framework and the prognosis and paucity of the NR hypothesis.
**Concluding Comments: Policy Consensus?**

There is no one single lens which provides an answer to regional policy, rather a range of approaches which can be used. Politics will always overrule theory.

We need to be aware of the limitations of approaches as much as we are aware of their strengths.

Is there an emerging consensus regarding regional policy? In other words is there some agreement over what to avoid and what to do as a regional government?

The task of regional policy is no longer to redistribute growth between regions. Regional policies should focus on beyond comparative advantage, to construct competitive advantage maximising the potential of each region and its contribution to national growth.

Pouring massive amounts of assistance through bureaucratic channels into lagging regions is a thing of the past.

Artificial interventions such as growth poles are out of favour.

Development of major infrastructure projects – supply focus - without taking regional demand into account is a major trap for governments.

Government are increasingly reluctant to maintain direct assistance to declining sectors in order to protect local economic activities,

Think long term not short term.

*Competitive* advantage places a lot of emphasis on competitiveness. Governments can assist the competitiveness of their state/province by creating a favourable environment for small to medium enterprises (SMEs), encourage the development of entrepreneurial skills, and by consolidating and improving local infrastructure, including soft infrastructure – training, technical centres, business incubators etc).

References:

