

KEY PHRASE: Regional Development

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A very extensive body of international research on regional development has accumulated over the past forty or more years. Within the research traditions a broad distinction can be made between analyses that seek to enhance the competitive growth of weaker regions through external interventions (exogenous development) and those analyses that seek to promote economic development from within by relying on place specific factors (endogenous development).

The first generation of regional development models of the 1950s and 1960s were associated with the so-called Fordist approach to production in which large international companies engaged in vertical disintegration strategies (creating branch plants) and favoured a geographically dispersed pattern of investment. At the same time national governments intervened to influence location decisions of corporate organisations through a variety of measures such as financial subsidies, public infrastructure investments (roads, industrial estates, etc) and favourable tax concessions. The centralised top-down approach to regional development tended to produce short-term benefits such as additional employment but it did not lead to a dynamic self-sustaining growth model. In this approach there was an over-reliance on inward investment and insufficient support for strengthening the indigenous sectors of regional economies.

Since the late 1970s there have been a number of major revisions in regional development theory leading to new policies and strategies that favour a more territorially-based approach (see Maillat 1997, in McCafferty and Walsh 1997). Changes in the overall context for economic development resulted in regionally differentiated responses leading to the further decline of some older industrial regions but also the simultaneous emergence of new dynamic regions in places as diverse as north-central Italy, southwest Germany, west Denmark, southwest Norway, parts of Austria, etc. The strategies adopted in these regions have attracted much international attention which has resulted in attempts to identify the main factors that have contributed to their success. A key outcome from these studies of successful regions is that the development process is largely driven from within the regions. The distinguishing feature of this approach is that strategies are directed towards encouraging innovation, promoting networks and collaboration between all the main agents, and utilising the full potential of all of a region's resources rather than seeking to attract branches or subsidiaries of larger companies from outside the region. One approach within this group emphasises support for, and the development of, interrelated and co-located clusters of economic activity (ID5, ID6).

By the 1990s, the distinctions between exogenous and endogenous approaches to regional development have become less valid. Third generation models give more attention to

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intangible factors in the development process. These include a greater emphasis on improving the capacity for development at the level of the firm, the industry and the region. This especially involves supporting measures aimed at encouraging innovation, promoting information exchanges and adoption of best practices (in areas such as management, design and quality assurance, new technology, marketing) via networking, mobilising new financial sources, and fostering collaborative approaches based on principles of partnership to the design and implementation of regional programmes. The objective here is to ensure that there is a supportive local or regional milieu in which an additional form of capital, namely social capital, can be created and linked to the other forms of capital in a manner that results in added value for the region. This is often associated with the concept of 'industrial districts', with the Emilia-Romagna region of Italy as a type example (see ID7).

These changes in policy design indicate the need to interpret the level of development of regions not only according to quantitative criteria. Attention must also be given to the qualitative dimension of development. Thus while a regional strategy will seek to increase output and employment and reduce unemployment, the factors that are most likely to determine the capacity for productive restructuring and growth potential are the regional innovation rate, the level of skills in the labour force, the technological and managerial capacity of the firms, the flexibility of public and private organisations, and the integration of the firms, cities and regions within competitive and innovative networks (see also: Topic 310). Regions that have supported social capital formation have remained vibrant or been revived.

Since the mid 1990s there is a growing awareness that the impacts of increasing levels of competition between regions has implications for the global – local interplays encouraged by third generation regional development policies. Several researchers have emphasised the importance of medium-sized towns in mediating interactions between local/regional production systems and the global economy. The likelihood of mobilising the sources of competitive advantage identified in the new fourth generation regional development models, particularly the development of local linkages and networking, is greater in medium sized urban centres which have advantages as places of interaction and as locations for positive spillover effects based on proximity, variety and accessibility (Maillat, 1997 in McCafferty and Walsh, ID296).

Strategies to achieve a more balanced regional distribution will require a greater emphasis on fostering learning regions with a high innovation potential. A significant challenge for the current phase of regional development policies is to establish means of enhancing the competitiveness of medium size urban centres that can act as rivals to the dominant centre while at the same time providing a focus for production systems that are more diffuse than the more polarized systems associated with first generation growth centre approaches.

Much of the recent literature on regional and local development emphasises the importance of fostering local entrepreneurship. Research on the role of institutions in European regional

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development has focused on concepts such as institutional thickness (Amin and Thrift, 1994, see ID19) as well as social capital (Putnam, 1993) to describe the mesh of public and private sector interactions that foster and sustain economic and social activity. These factors are now generally incorporated as part of the entrepreneurial environment. Other factors that have been identified include mechanisms to support R&D, innovation and technology transfer, actions to promote an enterprise culture, provision of appropriate hardware infrastructure in the form of business parks, incubator units, access to broadband telecommunications, etc and supports for networks and mentoring services (business angels).

The literature on regional development is strongly focused on economic development issues. Other themes explored are:

- Demography, urban systems and spatial development patterns (ID10, 14, 15)
- Transport and economic development (ID 8,9,11,17)
- Sustainable development (ID 12,16)

These different literatures are not too well linked together. The material under this Key Phrase includes examples and policy discussion at EU, national and regional levels.

References

- Putnam, R 1993 *Making Democracy Work*, Princeton University Press
Simmie, J. (ed.) 1997 *Innovation, Networks and Learning Regions?* Jessica Kingsley Publishers, London
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Relevant Key Phrases

Territorial Milieux, Regional Planning

Relevant Topics

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