

An Assessment on Evolution of Regional Development Concept

Ulu Emriye¹, Kiymaliođlu S. Umit²

1Akdeniz University Alanya Business Faculty, Alanya, Turkey

2Akdeniz University Faculty of Economics and Administrative Sciences, Antalya, Turkey

E – mails: emriyeulu@akdeniz.edu.tr, umitk@akdeniz.edu.tr

Abstract

Associating the terms, knowledge, innovation and learning, with development is not a new process. The innovation as the primary source of competitive advantage in capitalist economies had been postulated firstly in Marx and Schumpeter's ideas. But in parallel with evolution process of development theories and studies, addressing the concepts on regional level and within the framework of sustainability is a new process. It is seen apparently that interest in "region" concept has a considerable place in development studies from the early 1990s. Now regions are seen as opened identities and are exposed to the effects of international competition directly. Right at this point, the development efforts of lagging regions by "cut and copy" transfer practice of the development models and policy instruments of advanced regions have lost their meanings. Prior development models which used to focus on physical infrastructure and capital endowment have been replaced with internal models emphasizing the accumulation of intellectual capital and intangible assets. Key source of competitive advantage is defined as the capacities of regions to support

learning and innovation processes. To achieve and sustain the competitive development on regional level, such models and instruments are required that, they will consider the unique features and differences of regions, built on the peculiarities of different regions, , not general but customized and bottom up participatory, have ability to constitute exploitable advantages.

In accordance with the saying, “think globally, act locally”; the concept of sustainability also shifted from its global understanding to such an understanding which is fed from local and regional applications. When a region starts to develop, region’s sustainability must be examined. An ecological deficit which may emerge, should also affect the neighbour developed regions inevitably. So regional development should not be thought independent from sustainability. At this point, two concepts come to the scene; “regional sustainable development” and “sustainable regional development”. The difference is that, for “regional sustainable development” enviromental objectives and targets are in the forefront, while economic goals have priority in “sustainable regional development”. But in the second one, to maintain the sustainability of regional development, some enviromental precautions and policies are considered too.

This study aims to offer critics of recent studies and provide some inferences to possible directions for further research by examining the studies, particularly the ones which reconsider the innovation, knowledge and regional development relation in framework of sustainability. In the study, firstly the conditions will be underlined which led the emergence of “the new regional development approach”, focusing on the local dynamics as driving forces of regional development. And then, in relation to evolving debates about sustainability and regional development, the forefront concepts- like “learning regions”, “innovative milieu”, regional networks- will be held within its intellectual context and clarified how they are situated and conceptualized in empirical studies. In this context, new development models and the internal drivers of regional development should be revealed. And finally the reached findings will be examined in terms of common goals for sustainable development and some inferences for further research will be offered.

Keywords: sustainable development, innovation, knowledge, regional development, development models, new regional development approach, sustainability.

1.INTRODUCTION

Prior development models which used to focus on physical infrastructure and capital endowment have been replaced with internal models emphasizing the accumulation of intellectual capital and intangible assets. Key source of competitive advantage is defined as the capacities of regions to support learning and innovation processes. To achieve and sustain the competitive development on regional level, such models and instruments are required that, they will consider the unique features and differences of regions, built on the

peculiarities of different regions, , not general but customized and bottom up participatory, have ability to constitute exploitable advantages.

This study aims to offer critics of recent studies and provide some inferences to possible directions for further research by examining the studies, particularly the ones which reconsider the innovation, knowledge and regional development relation in framework of sustainability. In the study, firstly the conditions will be underlined by taking a look at the theoretical background which led the emergence of “the new regional development approach”. And then, in relation to evolving debates about sustainability and regional development, the essential concepts of development will be held within in regional development studies. In this context, new development models and the internal drivers of regional development should be revealed. And finally the reached findings will be examined in terms of common goals for sustainable development and some inferences for further research will be offered.

2. Theoretical Background of Development

The interest to development subject has increased just after the II. World War. The first reason is the desire for international trade and capital flow revival. And the second reason is the efforts of countries, which acquired political independence newly, to acquire independence also from economic aspects. For these countries, national liberation is almost identified with economic development. Before exploring “new development theories”, it should be more proper to take a look at the former approaches.

Traditional Development Economics Approach(1950 and 1960s), focusing on national development, states that countries follow a linear development path and underdevelopment is a transient phase. According to Rostow, each country should experience the same historical process inevitably. This approach seeks for the reasons of underdevelopment in internal structures of countries; like gaps in savings, investment or lack of market size.

According to Structuralist Approach, the key factor of development is capital accumulation. The inadequacy of capital accumulation is a result of the lack of market size and other structural problems. To solve the market size problem, international trade should be seen as a preference. Singer, one of the pioneers of structuralist approach, states that international trade and foreign investments are not for the benefit of underdeveloped countries but they constitute obstacles to development. The structuralists, suggested following a planned import-substitution strategy to support the development efforts and to protect import-substitutive sectors. But the experiences showed that these implementations had increased the dependency of underdeveloped countries to imports. The import-substitutive sectors which benefit from protection facilities had developed against to export sectors. The import-substitution policies, suggesting the protection of the country’s economy as a whole, bogged down in many parts of the world and largely abandoned in the early 1980s.

Traditional development approach, which correlates development to internal factors couldn't solve the underdevelopment problems. By the 1960s, other approaches which correlate development to external factors, rather than internal ones, took their place on development literature. Dependency theory is the most comprehensive between them. They connected the underdevelopment directly to the dependency relations with Western countries.

The new developments and the dynamics of World Economy necessitated the development subject to be handled from different and new perspectives due to the failure of traditional old development approaches. Thus, New Development Approaches(NDA) have been proposed: Neo-Liberal Approach, Endogenous Growth, Human-Centered Development, Egalitarian Approach, Basic Needs Approach, Veblen-Ayres Theory and Sustainable Development Approach can be counted under NDA(Doğan,2010).

Neo-liberal Development Approaches(early 1980s), claimed that for the problems of underdeveloped countries there is no need for a new economic approach aside the neoclassical economics. They take "market" as fundamental variable and see the interventions of governments as obstacles to development. Governments should reduce these interventions and make privatizations. As well as, they should implement the structural adjustment programs to keep pace with globalization. Unlike the former development literature, this approach offers common solutions for all the countries(Dolun,2006). This approach exclude all the phenomena placed outside the commodity economy and take human only by its economic dimension (Partant, 2002). By neo-liberal approaches, government interventions are replaced by new issues like: technological improvement, specialization, knowledge and scale economies. With neo-liberal approaches, dynamic optimization models have been replaced of traditional development models(Saxonhouse,1988). It's seen that the implementation of policies based on these approaches by the early 1990s, increased the gap between developed and underdeveloped countries and the predictions of convergence theory didn't happen.

Endogenous Growth Approaches, brought a new perspective in terms of source of economic development. Differently from neo-liberal approaches, they don't take the economic growth as a result of external drivers but a result of economic system's internal drivers(Romer, 1994). Knowledge, human capital and technological progress are internalized, like labor and capital, by this approach. Endogenous growth theories put the technological issues to the center of the analysis and focus on the dimensions like learning by doing, external economies, and accumulation of human capital. They reject the convergence theory and embrace the divergence theory. The biggest lack of these approaches is that, they don't include topics like societies' institutional features and social differences. They depend on a lot of neoclassical assumptions, inappropriate for underdeveloped countries. Therefore, the implementation of endogenous growth approaches to development area remains restricted.

Human-centered Development Approaches: They criticize traditional approaches as they transformed the concept of development into a commodity-based definition; devoid from human variables and differentiating from emancipatory content (Ingham, 1993).

Development is associated with life and so must focus on living standards. Development is such a process that; beside economic growth blessings of this growth is distributed evenly, during growth rather than destroying environment it is renewed, human choices are increased and opportunities for participation of people in decisions that affect their lives are also increased. From this perspective development, neither can be reduced to technological problems nor restricted with economic growth (Kelleber, 1993).

Egalitarian Development Approach, argued that ensuring the equitable distribution of income is of great importance as well as increase in income. Almost one quarter of world population lives in absolute poverty. Beside this, the richest %20 of world population gets the %80 of world revenue. Negative developments in terms of income distribution created by neo-liberal policies implemented in recent years, necessitated the development concept to be addressed in the context of equity.

The understanding behind Basic Needs Approach this approach is that, ensuring directly the basic needs; such as health, education, nutrition, housing, lead to a reduction in absolute poverty more quickly than alternative strategies. Increasing the income and productivity of poor's is linked to obtainment of their basic needs firstly. Putting basic needs approach into practice, which has brought a new perspective to development concept, is nearly impossible. The approach focuses on the social needs covering the poor majority, not on the individual needs.

Sustainable Development represents transition to environmentally compatible growth from growth against to environment. Traditional development approaches assume that natural source supply and the transformation possibility of them to products during production process is infinite. So they neglect the long-term negative affects of production on natural environment. The commodification of nature in frame of capitalist production logic led nature destruction. Sustainable development aims to prevent consumption of sources faster than renewal rate of them.

3. Essential Concepts (Innovation, Knowledge, Sustainability, Regional Competitiveness) and Sustainable Regional Development

Following the II. World War, after the development policies started to be implemented, it had been seen that economic and social activities were clustering around a natural center in every country. This increased the polarity between regions and led to big imbalances. Thus the economic and social cost of development had increased and it had been understood that the development plans should give an extra special importance to the regions of the country. Otherwise these issues would continue to create obstacles against nation's development. After this, "development" and "region" concepts were inevitably thought together. But still the issue had been handled at national level and the dominant approaches were Traditional Development Approaches summarized above. In early policies and studies, development was used to be taken at the level of national economy policies. It was believed that, eliminating

the development differences between the regions of a country was the best solution for succeeding the national development. The way of ensuring the convergence of the lagging regions to advanced regions was seen as the same. Lagging regions should follow and imitate the advanced ones and so the differences between regions should be minimized. Thus governments started to provide financial incentives to the lagging regions for catching the advanced ones.

By 1990's, a big transition occurred in terms of development approaches. With increasing globalization of production and finance, the meaning of the term "region" also has started to change. Regions started to be seen as opened economic entities which exposure to the international competition directly. This has changed the attention focus from national-level to regional-level intervention if regions are to be able to shape their own development prospects in a climate of rapid technological change and increased capital mobility. A new approach has been adopted, focusing to increase competitiveness of all regions by taking privileges, needs and strong features of each region. Achieving the structural adaptation of regions to globalization became one of the fundamental problems of today's policy makers. Also, taking competitiveness as a goal which should be reached by short term instruments is abandoned by time. The newest understanding in regional development area is, sustaining the competitiveness of regions in such a competitive world. This requires taking the subject in a dynamic perspective. As a result of increasing globalization of World, both consumers and producers are looking for differentiated products. This transformation requires abandoning traditional regional development policies, which used to take regions as if they were homogenous identities. Prior development models have been replaced with internal models emphasizing the accumulation of intellectual capital and intangible assets. Key source of competitive advantage is defined as the capacities of regions to support learning and innovation processes. To achieve and sustain the competitive development on regional level, such models and instruments are required that, they will consider the unique features and differences of regions, built on the peculiarities of different regions, not general but customized and bottom up participatory, have ability to constitute exploitable advantages.

The new economic growth models are interested in dynamic factors like; human capital, innovation, knowledge and entrepreneurship. For achievement of regional sustainable development, innovation and innovation capacity are seen as essential factors. (Ionescu,2011) Innovation is the transformation of an idea into a marketable product or service, a new or improved manufacturing or distribution process. Innovation and knowledge are fundamental to the economic development, growth and future competitiveness of regions. Knowledge is embodied in people and innovation is recombining of existing knowledge into new processes. Today's society is dominated by modern information flows and communication technologies.

The concept of knowledge, at the heart of the regional debate during the nineties, was also influential in constructing some relevant elements of the political discourse at the national as well at the supra-national level. Public statements like the EU's 'Lisbon Strategy' or the Territorial Agenda of the European Union (2007) reflect the idea that regional and

national prosperity depends more and more on the rate of knowledge embodied in economic and social

systems(Segre, 2011; p.2).

Ionescu(2011), aims to create a base of analysis for systems' parameters' evaluation , the territorial dimension of these systems and the role of the institutions inside the regional innovation, learning and development partnership. According to Ionescu(2011); the preceding studies on this subject failed to offer the territorial dimension of innovation, learning and development, the important role of institutions in defining and implementing the specific regional systems. The approaches to the issue can be classified into two; as analytical approach and theoretical scientific approach. Analytical approaches generate the empirical base of the regional innovation, learning and development policies. The scientific approach analyses and systematizes the most important ideas and argues of the researches in the regional innovation, learning and development regional systems, to realize a scientific base for a pertinent analysis. Ionescu(2011); bands two approaches together and goes through with a new model connected to continuous learning policies, "creative industries" and the regional development.

From a dynamic and systemic perspective, human resources become crucial in setting up the region's innovative capacity (Ho, 2004). Following various currents in the literature, Ferreira(2011) strives to take Regional Innovation System(RIS) analysis a little further by adopting an eclectic approach. Ferreira et al. built in an innovation function that links the ideas promoted by Muller(2009) with regard to the first contribution of Knowledge Intensive Business Services(KIBS) to regional innovation systems with the notions of entrepreneurship capital developed by Audretsch(2004) and Acs(2004) and with a helps transform knowledge spillovers into real economic opportunities is very important for RIS and, simultaneously, carries a social dimension that is essential when studying a systemic reality. Their results seem broadly robust and imply that the majority of factors considered contribute to the regional innovative performance as proxied by a variable that unites patenting and trade marking. From their results, they point out that the KIBS sector seems to be essential and as expected, human capital plays a central role in fostering innovation as does regional technological endowment. They state that data unavailability prevented them from computing the importance of R&D efforts and R&D personnel, thus their results showed only a weak but positive role for universities. Nevertheless, they expect to investigate this and other missing aspects.

Janschitz(2010) adapted Neuro-Linguistic Programming(NLP), an approach to communication, personal development, and psychotherapy created in the 1970, to regional development in two ways. The concepts, like learning regions, creative milieus, network approaches, transdisciplinary case studies are not tackling question of regional identities and values. Therefore, Janschitz(2010) developed a concept on the basis of a common set of values and beliefs, which is directing the endogenous, self-organizing and self-sustaining development measures/actions to achieve value-led results. The introduction of two social

theory approaches, adapted from NLP, namely “the concept of logical levels” and “the concept of regional modeling” will result in a value-led and participatory regional development (Janschitz,2010)

Regional modeling is the result of regional benchmarking and the process of transferring best-practice cases of successful regions (model region) at different logical levels to a modeling region. Regional modeling, using the value-led logics of sustainability consists of different modeling processes to cope with the social, economic, ecological, and institutional opportunities and challenges of a region. It is clear that this approach is neither a fast nor an easy option for regional development. It probably needs years of consequent work to achieve sustainable success and guarantee adaptation, and successful change in regions. But this is the best approach for applied scientists and regional development actors, who follow the paradigm of a respectful, human oriented, value based, transdisciplinary research, and who see regional development no longer as a discipline of “analyzing, constructing and optimizing a spatial order”, but include the involvement of concerned people in order to attain logical hierarchy based and value-led results as a response to global challenges. (Janschitz,2010).

Characterizing innovation as a social, non-linear and interactive learning process raises the question of the role of socio-cultural structures in innovation processes. The socio-institutional environment where innovations emerge plays an essential role in successful innovation processes. From a regional point of view, innovation is often understood as a locally embedded process that takes place within the regional innovation system. The locally embedded process is formed of heterogeneous groups of different kinds of actors including representatives of firms, universities, technology centers and development organizations. It is regionally crucial to increase the capacity of these institutions enhancing regional innovative capability (Harmaakorpi, 2003)

Regional competitiveness leading to regional success and wellbeing can be measured in many ways. However, when assessing sustainable regional competitiveness one indicator rises above the others: productivity. As Krugman(1994) referring to competitiveness and economic growth puts it “productivity isn’t everything, but in the long run it is almost everything”. Porter(1998) comes to the same conclusion in his studies concerning the national level. He determines productivity and innovativeness to be the essential sources of competitiveness regardless of the assessed geographical entity.

Harmaakorpi(2003), strongly suggests that using the regional level is reasonable in assessing economic success and questions related to economic development policy. Regional success is based on the region’s ability to create new paths based on its assets under the rules of the new techno-economic paradigm. The paths can be very different in nature and no patent regional recipes can be given. These features being abstract make it hard to measure them statistically in many cases. However, some resources needed that set the foundation for regional wellbeing can be embodied in statistical analysis.

4. Conclusions

For the sustainability of regional development, it must be accepted by local-regional authorities and dynamics. The success of sustainable development implementations depends on collective supports of regional actors and dynamics. The latest studies in sustainable regional development area underline this point and take the subject in this perspective.

Janschitz(2010) brings a very different and exciting perspective to the subject. The implementation of “the logics of sustainability” is possible for different regional development strands in research, like learning regions, creative milieus, and transdisciplinary case studies as well as best practice case oriented concepts.

If NLP method can be very successful at personal development, why not be at regional development?

REFERENCES

Acs, Z., Audretsch, D., Braunerhjelm, P., Carlsson, B. (2004), *The Missing Link: The Knowledge Filter, Entrepreneurship And Endogenous Growth*. Centre for Economic Policy Research Discussion Papers, No:4783, London.

Audretsch, D. and Keilbach, M. (2004) *Entrepreneurship and regional growth: An Evolutionary interpretation*, *Journal of Evolutionary Economics*, 14(5), 605-616.

Doğan, A. and Öztürk, N. (2010), *Yeni Kalkınma Kuramları, Bütçe Dünyası Dergisi*, Sayı33, 2010/1

Dolun, L. and Atik, A.H.(2006), *Kalkınma Teorileri ve Modern Kalkınma Bankacılığı Uygulamaları, Türkiye Kalkınma Bankası A.Ş., Ekonomik ve Sosyal Araştırmalar Müdürlüğü, Ankara*

Ferreira, V.H.S and Godinho, M.(2011), *Building An Innovation Function With Patents and Trademarks: Evidence From Portuguese Regional Innovation Systems*, Paper presented at the DRUID 2011, Denmark

Harmaakorpi, V., Kauranen, I. and Haikonen, A.(2003), *The Shift in the Techno-socio-economic Paradigm and Regional Competitiveness*, The 43rd Congress of European Regional Science Association(ERSA), Finland

Ho, M. (2004), *Differences between European Regional Innovation Systems in Terms of technological and Economic Characteristics*. Eindhoven Centre for Innovation Studies, Working Paper 04.06.

Ingham, B. (1993), *The Meaning of Development: Interactions between “new” and “old” ideas*, *World Development*, Volume: 21, Issue: 11, p.1803-1821

Ionescu, R.V. and Moga, L.M.(2011), *International Journal Of Education And Information Technologies*, Issue 3, Volume 5, p.310-318

Janschitz, S. and Zimmermann, F.M. (2010), Regional modeling and the logics of sustainability – a social theory approach for regional development and change, *Environmental Economics*, 1(1), p.134-142

Kelleber, A. (1993), The Need for Human Centered Development, *American Journal of Economics and Sociology*, Volume: 52, Number:1, January, p.49-50

Krugman P. (1994), *Productivity Growth, The Age of Diminished Expectations*, Cambridge, MA. The MIT Press available at <http://books.google.com.tr>

Muller, E. and Doloreux, D. (2009) What We Should Know About Knowledge-Intensive Business Services, *Technology in Society* 31(1), 64-72.

Partant, F. (2002), *Kalkınmanın Sonu Bir Alternatif mi Doğuyor?* (Translated by F. Başkaya), Maki Basın Yayın, Ankara

Porter, M. E. (1998) Clusters and the new economics of competition. *Harvard Business Review* 76(6), 77–90.

Saxonhouse G.R. and Saxonhouse A.W. (1988), An Inquiry into the Philosophic Roots of Concepts of Economic Order, *Journal of Institutional and Theoretical Economics*, Volume:144, Number:2, p.344-356.

Segre, G. and Salone, C.(2011), *Culture And Creativity In The Territorial Local Systems. Tales in Search for a Theoretical Scheme*, Dipartimento di Economia “S. Cognetti de Martiis”, Working Paper New Series, Working Paper No: 1/2012

Storper, M. (1992) The limits to globalization: Technology districts and international trade, *Economic Geography* 68, 60-93.

Tüylüoğlu, Ş. and Çeştepe, H. (2008), “Kalkınma Teorilerinin Temelleri ve Gelişimi” in E.D. Sami Taban and Muhsin Kar (eds), *Kalkınma Ekonomisi: Seçme Konular*, 2nd Edition, Ekin Yayınevi, p. 35-87.