



PRESS RELEASE OF WORKING PAPER 1.3

REGIONAL ECONOMIC DEVELOPMENT: A REVIEW

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OBJECTIVE

This working paper offers an analysis of the main concepts explored in the regional and local economic development literature. This theoretical and empirical overview can support the understanding from which the SEARCH project analyzes the ENP. This press release will give a brief overview of the most important conclusions of this working paper. Since the goal of this paper is only to provide an overview of existing research in order to inform the SEARCH project, policy implications of this report are not further explored.

MAIN RESULTS AND POLICY IMPLICATIONS

This paper has explored the main concepts and ideas arising from the literature on regional economic development. It argues that geography matters for economic development in the sense that forces that lead to innovation and growth are rooted in specific places or regions (rather than countries) and they cannot be easily moved elsewhere or replicated in different contexts. Therefore, regional economic development literature focuses on the processes that favour learning and new knowledge creation at the local level. A particular relevant role is played by the cultural and socio-institutional characteristics of regions, which basically drive the economic behaviour and attitudes of local actors by providing the appropriate structural relational assets to the regional economy. This makes innovation and development no longer a linear but a multidimensional process by affecting local relations, rules, absorptive capacity and the capability to re-use knowledge.

Globalisation sharpens the localised nature of innovation and development rather than alleviating it, since successful regions become able to exploit external knowledge as well as to serve international markets. Acknowledging that development is a localised process dependent on spatially-bounded elements as well as past trajectories provides an explanation for inequalities between regions within countries.

The paper further argues that the pattern of regional disparities is more evident in developing countries due to the scarcity of locations that are able to absorb external knowledge in these areas. Bottom-up policies are precisely designed to take into consideration forces that influence innovation and development in specific locations. Such policies are in contrast with traditional top-down strategies that basically offer the same general measures of economic policy regardless of local conditions and characteristics, which is why, based on literature, a reconciliation of top-down and bottom-up policies is proposed in order to approach regional development issues from a meso-level perspective. This ‘integrated framework’ makes it possible to analyse with the same conceptual tool different regions and to identify, on the one hand, regularities across space in the development trajectories of different locations and, on the other hand, specificities in the functioning of the economic system related to particular places.

The growing awareness about the relevance of local forces in shaping regional economic development path is reinforced by the increasing demand for power decentralisation from national to regional governments in the last decades. Decision-making at the local level could be extremely positive for regional development by encouraging collective action and tailoring strategies to local needs, although some drawbacks also exist in terms of equity and efficiency. In general, regional economic development theories highlight that development potential and competitive advantage are strongly localised elements. Therefore, what development strategies should aim at is basically to adopt balanced policies which build upon local strengths and try to alleviate local weaknesses as the only way to root economic activity in territories in a sustainable manner.