

ENDOGENOUS REGIONAL DEVELOPMENT ORIGINS, KEY IDEAS AND PRESENT RELEVANCE



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on „Place-based Development – Past and Future“

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How it all began

RSA Paper on „Spatial equity – Some antitheses to current regional development doctrine“ by W. Stöhr, F. Tödting 1977

PERIPOL Project on regional policies for peripheral regions (1976-79).
Questions investigated: How did the „past“ regional policies work?
What have they achieved?

Based on a broad international review on policy experiences and evaluations past approaches were criticized and antitheses presented:

- Regional Development (RD) is more than economic growth and „modernisation“ based on industrialization and urbanization; these have not improved living conditions in a broad way
- RD should enhance individual and collective options for development and capabilities to improve own situation (Seers, Sen)
- Better living conditions should include material and non-material aspects, i.e. Dimensions of „having, loving and being“ (Allardt 1973)
→ including social relations, cultural patterns, identity, collective action
- Policy approaches should go beyond neoclassical models (based on the mobility of factors and trade) as well as beyond Keynesian large scale investment- and growth-pole strategies
- New strategies proposed: bottom-up and self-reliant development, selective spatial closure → endogenous development

Key features of endogenous regional development

- Introduced in the late 1970s by W. Stöhr and colleagues and applied both in advanced economies and in developing countries (in Austria: IHS, ÖAR, BKA)
- Focus more on internal factors, capabilities and processes of regional development than on external ones. These include
 - “Given factors” such as natural resources, local labour force, historically rooted skills, and local entrepreneurship
 - “Created factors” such as the quality of infrastructure, schools, universities and research organisations, a highly educated work force, and knowledge and innovations
 - Social and political factors such as social movements and civil society fighting external dependencies and triggering initiatives e.g. for improving living conditions

Bottom-up process

- Regional development is seen more as a bottom-up than a top-down process
- Idea that regional development is initiated and carried more by local and regional actors than by central government or external agencies
- Oriented more to the needs and objectives of the regional population than to national or external goals
- Regional actors know problems better and are expected to be more embedded, committed and capable of making enduring contributions to development

Genesis of the concept of endogenous regional development

- Has evolved as a counter-thesis to previous development concepts that relied on external demand and interregional trade, and the mobility of capital (firms), labour and technology between regions and countries, based on arguments of
- **Neoclassical growth theory** emphasising trade and factor mobility between economically strong and weak regions and of **Growth pole theory** stressing agglomeration factors and “trickle down” effects (Hirschman) to peripheral hinterlands
- Critical reviews and studies had pointed out some key weaknesses of these previous strategies for less developed regions

Weaknesses of the dominant top-down development paradigm

- A key focus was the attraction of external firms (branch plants) to less developed regions (LDR). But mainly central locations had benefited with few spill-over effects to the periphery
- Factors used were low cost labour, natural resources, and tourist sites, whereas factors such as qualified labour, skills and competences were neglected
- Branch plants lacked higher level functions such as managerial activities, R&D and innovation
→ entrepreneurial potential and the innovation capability of LDR was not raised and profits were reinvested elsewhere
- The potential of mobile plants to locate in LDR had been reduced since the 1980s due to globalisation
- → Unequal economic, social and political structures and external dependencies were often not altered

Key publications on Endogenous Development (selected)

- Stöhr, W.B. and Tödting, F. (1977) Spatial Equity: Some Antitheses to Current Regional Development Doctrine. Papers of the Regional Science Association, Vol.38, 33-54.
- Stöhr, W. and Taylor, D.R.F. (eds.) (1981) Development from Above or Below? The Dialectics of Regional Planning in Developing Countries, Chichester: Wiley.
- Stöhr, W.B. (ed.) (1990) Global Challenge and Local Response - Initiatives for Economic Regeneration in Contemporary Europe, London: Mansell.
- Garofoli, G. (ed.) (1992) Endogenous Development in Southern Europe. Aldershot: Avebury.
- Pike, A, Rodriguez-Pose, A. and Tomaney, J. (Eds.) (2006) Local and Regional Development, London and New York, Routledge.
- Vazquez-Barquero, A. (2006) Endogenous Development – Networking, Innovation, Institutions and Cities, London: Routledge.
- Barca, F. (2009) An agenda for a reformed Cohesion Policy – A place-based approach to meeting European Union challenges and expectations. Independent Report to the Commissioner for Regional Policy. EC, Brussels.

Walter Stöhr´s intellectual roots to endogenous development (selected)

- **Gunnar Myrdal** and **Albert Hirschman** on economic interdependencies between core and peripheral regions and regional development as self-reinforcing process
- **John Friedman** on political dominance of peripheral regions by elites in the core regions
- **UN-Cepal** and **Latin American Dependency school (Raul Prebisch, Celso Furtado Henrique Cardoso, André Gunder Frank)** on unequal international power relations and underdevelopment
- **Doreen Massey, Folker Fröbel, Jürgen Heinrichs** and **Otto Kreye** on globalisation as process of unequal division of labour
- **Johan Galtung** and **Dieter Senghaas** on a strategy of self-reliance for economic development
- **Dudley Seers** and **Amartya Sen** on economic development as enhancing economic and social living conditions, human potentials and capabilities
- **Erik Allardt, Ivan Illich** and **Tibor Schitovsky** on Dimensions of welfare
- **Philip Aydalot** and **Roberto Camagni** on innovation as a regionally embedded process (innovative milieux)

Elements and characteristics of endogenous regional development (1)

- Long term perspective, harmonising economic, social and environmental goals. Improving broader living conditions also for the poor
→ “sustainable regional development”
- Broad sectoral orientation including agriculture, crafts, manufacturing, tourism and services. Aiming at “integrated” concepts trying to develop and inter-relate complementary sectors such as food, tourism and crafts in peripheral regions

Elements and characteristics of endogenous regional development (2)

- More attention to problems and potentials of incumbent small firms as well as a stronger focus on entrepreneurship and new firm formation than in previous strategies.
- This included also cooperative enterprises and participatory forms of organisations (e.g. Mondragon, Austrian cases in rural areas)
- Innovation has received a more prominent role. It was broadly defined, including technological, business and social innovations
→ escape cost competition from low wage countries

Elements and characteristics of endogenous regional development (3)

- Acknowledgement of regional specificities in culture, local demand and capabilities as an asset → are regarded as a source of unique competitive advantages for regional firms
- A certain level of “regional identity” was seen as a favouring factor for regional development, e.g. for activating projects, regional branding and new ways of marketing (e.g. in food, tourism and crafts), and a tool for social cohesion
- Decentralised decision making and policy competences at the local and regional levels were seen as favourable due to
 - a better understanding of problems, barriers and potentials for regional development, and
 - a better fine tuning of development strategies to the needs and goals of the regional population

Limitations of endogenous regional development approach (ERD)

- Assumption that basic prerequisites of ERD - initiatives and entrepreneurship – are given or latent in most regions
- But regions have different capabilities in this regard and a different need for external development inputs and efforts
- Paradox of peripheral and less developed regions: were often target of ERD strategies, but low potential → require also external resources and support for triggering development
- → Regional development is rarely the result of endogenous forces only. Most often both endogenous *and* exogenous factors, processes, and their interaction are needed
- → We find a plurality of development paths, with different combinations of endogenous and exogenous factors and processes → This differs from past “modernisation” theories, or “stages of economic growth” as well as from radical self-reliance schemes

Related approaches since the 1980s

Ideas of endogenous regional development were applied since the 1980s in related concepts such as

- industrial districts
- local entrepreneurship
- regional learning
- regional innovation systems
- “place-based” regional development

→ Shift from equity perspective towards improving competitiveness, entrepreneurship and innovation capabilities of regions including less developed ones due to pressures of globalisation, among others

Industrial districts

(Garofoli 1990, Asheim 1996, Amin 2000)

Combined several elements endogenous regional development:

- Specialised in traditional sectors such as textiles and clothing, leather and shoes, furniture, and machinery
- Local concentrations of competitive small firms, entrepreneurship and flexible specialisation.
- Firms were competing and cooperating and they were related through input-output links, knowledge exchange, collective learning, and social relationships.
- There were also collective actions e.g. to improve location conditions, and supporting institutions.

More recently, industrial districts have been severely challenged by globalisation and emerging economies, which have been catching up rapidly in some of these sectors
→ they are rapidly transforming themselves

Studies on local entrepreneurship

(Malecki 1994, Reynolds et al. 1994, Acs and Storey 2004)

- Entrepreneurship is a key element in endogenous policy approaches because new firms usually originate from the region, and they are often strongly embedded in local social and economic contexts and networks
- There have been a number of studies on regional conditions and differences of new firm formation, effects on local and regional development, barriers for the setting up of new firms, and related policies and their results
- This research shows the usefulness but also limits of the entrepreneurship approach for regional policy. In particular less favoured regions have usually a limited entrepreneurial potential and many other barriers

Regional learning

(Morgan 1997, Lundvall and Borràs 1998)

- Globalisation challenges regional economies through rapid shifts of markets, production and technologies requiring fast adjustments.
- Sources of competitive advantages are often rooted in unique local competences, skills and tacit knowledge.
- These are exchanged and accumulated through informal relationships and “untraded interdependencies” (Storper 1995). A certain level of trust is needed for engaging in such networks.
- Implies a collective enhancement of know-how, and an upgrading of practices and technologies in regions. Key mechanisms of learning are mobile qualified labour, and knowledge exchange through (informal) networks.
- Leads often to incremental innovation rather than radical innovation. Tends to reinforce existing technology paths; risk of “lock-in” (Hassink and Shin 2005)

Regional Innovation Systems (RIS)

(Cooke et al. 2000, Doloreux 2003, Tödting and Trippl 2005)

- Innovations such as new products, processes or organisational practices are regarded key drivers of regional development; often the result of systemic interdependencies in regions and countries
- Knowledge generation and its application are in the core
- Central endogenous actors in RIS are R&D performing and innovating firms, universities, research organisations, and education institutions, as well as organisations for knowledge transfer, and support → Interaction needed
- However, RIS are open systems, strongly related to national as well as international contexts, firms and organisations
- Different types of regions face specific innovation problems and barriers: e.g. metropolitan, industrial and peripheral regions; → Policies should address their specific problems

Endogenous Regional Development: Weaknesses of the approach

- Too much focus on internal factors, neglecting complimentary role of external factors, knowledge flows and development impulses → danger of „lock-in“
- Distinction of internal and external factors is to some extent ambivalent; depends e.g. on size of the region
- Role of regional actors has been uncritically seen to be mostly positive; neglects e.g. conflicts of interests, role of dominant players, inefficient regional monopolies, corrupt policy actors, etc. hindering development
- Role of actors in multi-scale production-, innovation- and governance system has not been adequately addressed (Truffer and Binz 2017)

Endogenous Regional Development: Strengths of the approach

- Takes historical and geographical contexts into account
→ differs from neoclassical theory neglecting such differences, assuming mobile factors
- Regions viewed as unique social, economic, cultural, and institutional configurations that change only slowly („sticky“) → inspired Evolutionary Economic Geography
- Uniqueness, if appropriately developed, can be an asset in global competition
- Key factors for regional development were stressed such as entrepreneurship, innovation, sectoral complementarities and socio-economic relationships
- Taking account of economic development as well as of social cohesion and the environment → has inspired modern „place-based“ and sustainability approaches

Thank you
for your attention !