Introduction

Regional and local economic development is a multidimensional and complex process of transforming available resources into desired economic and social outcomes that are sustainable and meet the values and expectations of all participating actors. It includes all relevant economic and social processes and requires a long-term commitment and a good understanding of the region, relevant theories and analytical methods. The following parts of the book will highlight that it has local, regional, national and even global dimensions that should be taken into account in the analysis and planning of local and regional development policies and programs. It involves local and central governments, firms, workers, producers and consumers, civil society organizations and development agencies often with conflicting interests. Therefore, the local and regional development process can be quite lengthy and in bringing these different parties together around a common goal requires a significant amount of commitment. This is only possible when policymakers have the necessary knowledge and tools as well as the capacity to utilize them.

There is one important issue that needs to be clarified at the very beginning in discussing local and regional economic analysis: the confusion between economic growth and development and interchangeable use of these two concepts. It should be kept in mind that economic development and economic growth are closely linked, but do not describe the same phenomenon. Economic growth is a quantitative change in the scale of the economy in terms of investment, output, consumption and income, which, in turn promotes new changes in the economy, creating new products and firms as well as innovations. Development, on the other hand, is a qualitative change that entails changes in the structure of the economy, including innovations in institutions, behavior and technology. Further, development may be viewed as both a prerequisite to and a result of growth, which means that growth cannot be sustained without innovations and structural changes. Together, these advances help an economy increase its productivity, hence enable the production of more outputs with fewer inputs over the long term. Therefore, local decision-makers need to pay particular attention both to development and growth at the same time.
As suggested by Stimson and Stough (2008) regional economic development may be seen as either a product or process by different groups or actors in the development setting. For example, economic agents that live, work and invest in regions would prefer seeing it as a product or output in the form of job and wealth creation, investment, quality of life or standards of living and conditions of the work environment. On the other hand, regional scientists, policymakers, development planners and practitioners would be more concerned about the process of the creation of infrastructure, labor force preparation, human capital and market development. In that sense, it is important to be aware of its product and process aspects when considering regional economic development.

Another important area that should be kept in mind is that regional economic development has both quantitative and qualitative features. In terms of its quantitative features, it is mainly about the benefits it creates such as increasing/decreasing wealth and income levels, job creation or employment levels, the availability of goods and services and level of regional product. The qualitative features of regional development will include creating greater social and financial equity, achieving sustainable development, creating equal employment opportunities for all and improvements in the quality of life in a region. Thus, the regional economic development process needs to utilize both quantitative and qualitative analysis tools.

This book is an attempt to provide a relatively simple and easy to use introduction to local and regional economic development; and is written in the spirit of regional science. The underlying reason for this approach is that regional science is an interdisciplinary field of study within the social sciences, linking economics, geography, sociology and planning, concerned with economic and social phenomena in a regional setting, making use especially of mathematical models in the forming of theories. Regional science is seen as a voluntary association of scholars and practitioners with an interest in local and regional topics, each bringing different insights and analytic and theoretical perspectives to the same topic. This associative approach represents the future dynamics of the information economy where the exchange of new ideas, not positions, dictates the outcome and where contributions are assessed, not in terms of who said it but in terms of what is said. The interdisciplinary linkages and problem oriented experience as well as dual identities of regional scientists in areas of their societal interest provide several advantages in today’s economy. Therefore, interdisciplinary approach of regional science is a good fit to address multidimensional and complex problems of regional and local economic development.

It is the intent of this book that students of regional science, local government officials and regional development agency staff will benefit
from it and will have a better understanding of local and regional economies. Over the last decade, several countries in the world have made great progress economically and they have been taking major steps to address local and regional development issues. In that sense, the timing of this study seems appropriate.

Since this book is an introduction to regional economic development, it is organized in an easy to follow form.

Given that the disposition of the current environment is the ground for a new development path, it is logical to begin with an understanding of the rapidly changing, global world economy. Therefore, to have a better grip on regional and local economic development it is crucial to study and understand the wider environment within which these economies operate. In other words, it is necessary to see the forest before focusing on trees. The first chapter covers the local and regional economic analysis within the new, globalized economic and social environment. The first section of this chapter discusses the globalization process, the second section reviews its impact on local and regional economies as well as the place of local and regional economies in this global environment and the third section focuses on the importance of and need for local and regional economic analysis in such a fast changing world.

In the search of an explanation for the uneven spatial development issue, regional scientists and geographers have been trying to clarify the role of space and location in economic development and in changing economic landscape over time. They have developed a range of statistical models and quantitative methods based on the ideas of early location theorists. Since the 1980s, the interest in regional development has significantly increased and there have been a number of shifts in the subject with the involvement of institutional economics, economic sociology, cultural theory and most recently evolutionary economics all dealing with different aspects of uneven regional development. The second chapter discusses theoretical evolution of the regional economic development process focusing on the regional endogenous growth theory and its evolution over time; the evolutionary regional economic development process; and a new dynamic, evolutionary endogenous regional development model and a proposed extension of it.

Good governance is now the new catchword around the world that was advocated by many, particularly international organizations, for almost any purpose ranging from national governments to large corporations and non-governmental organizations (NGOs) as well as regional and local economic development. As a result, in recent years the discussion of governance has expanded and the number of scholarly work increased. The reason behind this new trend is the view that good governance and
sustainable development go hand-in-hand. It is, then, quite logical that the same principle applies to regional and local economic development where good governance will generate better results. It is now widely accepted that regional and local institutions and leadership will have important roles in regional development process. The third chapter covers the governance, institutions, local leadership and role of regional development agencies in the regional economic development process.

Conflict is quite an ordinary phenomenon and integral part of the daily life and could be quite helpful creating a productive force to promote social change and address social injustices. In fact, some conflicts may be instrumental in big economic and social transformations. Given the complex and multidimensional aspects of local and regional economic development, by nature the entire process is about conflict management among different stakeholders. Yet, there is not much in the regional development literature on the subject. Therefore, a debate is needed to identify conflicting issues and parties in the regional economic development process and how to reconcile them in an efficient and effective manner. The fourth chapter aims to initiate this debate by identifying and discussing conflicting issues in the regional economic development process and developing a framework for conflict management.

Over the years a number of local and regional development theories have been developed and discussed in great detail. Some of them survived and evolved into new forms to address the current problems of local and regional economies, while others lost their initial fervor and are almost forgotten. The fifth chapter reviews major local and regional development theories from their origins and early applications to avoid any misinterpretation and misunderstanding. The location theory, growth pole theory, economic base theory, cumulative causation theory and product/regional life cycle theory are discussed in this chapter.

In recent years, the concept of industrial clusters and agglomeration economies has become one of the most prevalent concepts in local and regional development research and practice. The cluster concept, however, is not new and goes back to early location theories. This recent interest in industrial clusters and agglomerations mainly stemmed from extensive scholarly work on the subject over the 1980s and 1990s, which revitalized and improved upon the earlier approaches to the regional economic growth and development. It was clearly and effectively demonstrated that clusters and agglomerations are fundamental parts of successful local and regional development. Even though globalization has diminished some of the traditional roles of location, industrial clusters are a prominent feature of national and regional economies that reveal important insights about the role of location in competitive advantage. Large-scale agglomeration
and regional economic specialization have been expanding due to the forces of globalization, which suggests that economic development will be further linked to the geographical concentration of economic activities in coming years. Therefore, Chapter 6 reviews the industrial cluster and agglomeration concepts and discusses their main characteristics, types, dimensions and life cycle.

In the seventh chapter, some simple and easy to use analytical models/techniques are reviewed and discussed along with examples that will assist researchers and local policymakers in understanding, analysing and applying the local and regional development theories. These techniques will also assist in understanding, describing and documenting changes in the local economy in a way that would enable policymakers to make sound and informed decisions. Here, five of these models will be discussed and applied to regional development settings. They are shift-share analysis, location quotient, economic base model, input–output model and data envelopment analysis (DEA).

Even though there are a number of analytical tools and models to investigate the regional economic development process, a well-structured regional decision support system has not emerged, yet. The results of the simple models discussed in Chapter 7 can provide some information about the region and its economic progress, but when combined they can offer a more complete picture of economic status of a region. Chapter 8 tries to develop a regional decision support model under the umbrella of analytical hierarchy process and provides an example of the proposed model.

Chapter 9 provides some concluding remarks.

A template for each of the models discussed in Chapter 7 is provided on this website: https://www.e-elgar.com/edward-elgar-publishing-introduction-to-regional-economic-development-companion-site. The template is an easy to use MS Excel spreadsheet application. After entering the required data, the whole process should take a few minutes to complete. A user guide is provided in Annex 1. Annex 2 provides two extensions of shift-share analysis.