Course: Regional and Rural Development in Ethiopia (PDS 2084)

Chapter One: Rural Development

Definition of Rural Development

The definition of “rural” differs by country, though it is usually used in contrast to “urban”. Due to the fact that the concept of “rural” varies from country to country, it is difficult to define it uniformly.

The term could also be used to describe areas where a majority of the residents are engaged in agriculture in a broad sense (including livestock farming, forestry, and fisheries). The final beneficiaries of development assistance are local people in both rural and urban areas. However, their livelihoods are based on significantly different social, economic, and natural environments. Most rural residents in many developing countries (especially in the least developed countries, or LLDC) are engaged in and depend on local agriculture, forestry, and fishery resources to make a living.

Frequently, the concept of rural development is used confusedly with “agricultural development” or “regional development”. Rural development is a process integrated with economic and social objectives, which must seek to transform rural society and provide a better and more secure livelihood for rural people. Rural development, therefore, is a process of analysis, problem identification and the proposal of relevant solutions. The problem that rural development programs attempt to solve are not only agricultural. Such must also tackle the social or institutional problems found in rural areas. Indeed, if the kinds of problems which rural development programs confront are considered in very broad terms, they may perhaps be divided into two: 1. Physical: there are problems which relate to the physical environment of a particular area, eg. Lack of water, poor infrastructure, lack of health facilities, or soil erosion. Rural development programs can study the nature and extent of the problem and propose a course of action. 2. Non-physical: not all the problems which farmers face are physical in nature. Some problems are more related to the social and political conditions of the region in which the farmers live. Eg. Limited access to land, no contact with government services, or dependence upon a bigger farmer.

By comparison with development, rural development is a much newer term. But how does it relate to ‘development’ and some of the ideas discussed above? Is it an alternative to existing theories of development or does it simply refer to development carried out in rural areas? Why does it warrant study as an independent discipline in its own right?

Defining ‘rural’

Most people probably have a fairly clear idea what is meant by ‘rural’. However, the definition of rural is not as clear-cut as one might think. How would you define ‘rural’? Think about this for a few moments before continuing.

Probably the first thing that springs to mind is the contrast with urban areas and the image of open spaces, either in a relatively natural state or cultivated or grazed by livestock. But what about rural towns? And what about those areas on the edge of towns and cities where the space between buildings grows larger and where small plots of cultivated land may begin to appear between industrial estates and other features that we closely associate with the urban concept. In short, there is no precise distinction between rural and urban, although where countries do wish to identify a cut-off point between one and the other, it typically relates to the population size of human settlements – towns, villages etc. Official definitions often refer to settlements with less than 5000 people as being rural, whilst those with more than 5000 are considered urban. However, this threshold varies from one country to another, due in part to differences in the overall population density.

In the context of this module, rural is defined fairly broadly. It relates primarily to areas that have a relatively low population density compared to cities, areas where agriculture and related activities usually dominate the landscape and economy, and places where transport and communications need to cover relatively large distances making travel and service provision relatively difficult and costly. However, our definition also includes the towns (as opposed to cities) that are located in these areas and which are linked to them culturally and economically by acting as a focal point for people living in the surrounding areas – places where they can meet, exchange goods and services, and find transport to larger urban centres. Finally, we are also interested to some extent in the peri-urban areas – the areas that lie on the fringes of the urban environment, including the edge of major cities.

Whilst the challenges facing urban and rural populations in developing countries have much in common, there are differences. The distinct challenges facing rural communities relate above all to the problems associated with natural resource-based livelihoods, low population densities, and poor communications. These problems are a recurring theme in the examination of different conditions, challenges and processes in rural development.

Rural development as policy and as process

Rural development emerged as a distinct focus of policy and research in the 1960s and gained full momentum in the 1970s, as observers increasingly realised that, whilst economic growth and industrialisation were important, rural areas and rural development had important and different roles to play in a country’s development.

What do you understand by the term ‘rural development’? Spend a few minutes writing down your thoughts.

1.2.1 Rural development as policy and as process

Rural Development has emerged as a distinctive field of policy and practice and of research in the last decade, and particularly over the eight or nine years since the inception of the ―new strategy for development planning by the World Bank and UN agencies. This strategy came to be formulated as a result of the general disenchantment with previous approaches to development planning at national and sectoral levels, and it is defined by its concern with equity objectives of various kinds. The term Rural Development‖ refers to a distinct approach to interventions by the state in the economies of underdeveloped countries, and one which is at once broader and more specific than agricultural development ‘.

It is broader because it entails much more than the development of agricultural production — for it is in fact a distinct approach to the development of the economy as a whole. It is more specific in the sense that it focuses (in its rhetoric, and in principle) particularly on poverty and inequality. Although there is a substantial overlap between the field of conventional agricultural economics and the concerns of Rural Development‖, the kinds of study required to understand the factors affecting Rural Development‖ are not contained within the discipline of agricultural economics. Not only does Rural Development‖ include attention to other aspects of rural economies as well as agriculture, but the analysis of distributional issues demands an inter-disciplinary approach in which the broader social and political factors interacting with economic processes are subjected to examination. The expression rural development may also be used to refer to processes of change in rural societies, not all of which involve action by governments. In this case, the activity of Rural Development, a form of state intervention, must be considered simply as one of the forces concerned — although it is one which has become of increasing importance.

According to Harriss, rural development can be viewed as either of the following:

A state-led activity and a focus for development policy

A broader process of change in rural societies, which may or may not involve state intervention

These are two angles from which we can consider rural development. Implicit in the first of these is the notion of government intervention of one sort or another. Admittedly, policy can be characterised by non-intervention or a laissez-faire attitude to rural development. The withdrawal of government from rural development activities can also be considered to be a policy. However, in this unit when we talk of rural development as policy, we are referring to a policy of active state engagement with the rural development process.

An area-based approach

In relation to rural development policy, Harriss identifies a number of important characteristics, perhaps the most obvious of which is that it is an area-based approach to development. In other words, rural development policy targets particular geographical areas (rural areas) rather than an economic sector (eg agriculture, manufacturing, education) or a particular group of people (eg small farmers, female headed households, ethnic minorities) – even though individual sectors or groups of people may be targeted as part of a broader rural development strategy.

Given that the livelihoods of the majority of the world’s rural population depend, either directly or indirectly, on the agricultural sector, agriculture is an obvious sector in which to concentrate efforts to promote growth. Indeed, the promotion of agricultural development and smallholder agriculture, in particular, has always been a central feature of rural development policy.

Multi-sectoral

However, rural development is not just about agricultural growth and, whilst agricultural growth is a very important dimension of rural development, it is not enough on its own to ensure economic growth in rural areas. Other sectors or dimensions come into play in the process of rural growth, such as health, education and economic activities outside the agricultural sector. Rural development is multisectoral. It embraces a variety of different economic and social sectors. These are summarised below:

- agriculture and natural resources – crops, livestock, fishing, forestry
- the non-farm sector – services to agriculture (including input supply, marketing, transport, finance, agricultural processing), rural manufacturing, mining, and other rural services
- rural infrastructure – roads, transport, energy, water
- education
- health

The primacy of agriculture debate

Despite a multi-sectoral approach, current opinion is divided concerning the relative importance of different sectors and of agriculture in particular. On the one hand, there is the view that agricultural development, driven by growth in the small farm sector, is a pre-requisite for the wider development of the rural economy; that, in the poorest parts of the world, it needs to be the driving force in efforts to reduce poverty; and that rural development policies should focus on making small farmers more productive through improved access to technology and markets.

A contrasting view is that excessive focus on agriculture fails to take account of the complexity and increasing diversity of rural livelihoods, and the importance of income-generating activities located outside agriculture. Whilst not denying the role of agriculture in the development process, this view gives agriculture, and particularly small-scale agriculture, less emphasis and calls for policies that are more tailored to individual circumstances within a very varied rural environment.

A third view plays down the importance of agriculture in local development processes and argues that while access to cheap food is important, this may be best obtained from imports or from large-scale agriculture rather than small-scale agriculture.

Superimposed upon this debate are questions about global food security and whether we are now moving into an era of food shortages. The optimism of recent decades is giving way to greater pessimism about the ability of supply to keep pace with demand, especially given the uncertainties surrounding climate change. We return to these issues later, but for now it is worth noting that this has reinvigorated the debate about the role of agriculture in development.

The environment and sustainability

Another central concern in rural development is environmental sustainability. Although Harriss' definition does not make any mention of the environment, the subject is clearly of particular importance in rural development, since so much economic activity, notably agriculture, is both dependent on natural resources, as well as having a very direct impact upon them, through for example deforestation, soil degradation, and loss of biodiversity.

One of the biggest challenges, both now and into the future, relates to climate change. Global climate change is likely to have a major impact upon the climate and natural resources of rural areas, affecting both the productivity of rural resources as well as the livelihoods of people who are dependent upon them. Agriculture is also a major contributor to the greenhouse gases that cause climate change and may well be affected by future efforts to reduce carbon emissions. We shall examine these issues further in the final section of this unit.

Rural poverty

Most approaches to rural development, at least in terms of stated goals, have had, and continue to have a strong poverty focus. Many people, including Harriss in 1982, viewed this concern as a distinctive feature of the study and pursuit of rural development, setting it apart from traditional approaches to development – the latter were mostly concerned with macroeconomic growth and how to stimulate output in the productive sectors of the economy; they assumed that poverty would fall automatically once these issues had been addressed. Interventions in rural development have often focused more directly on the problem of poverty – eg by addressing the basic needs of the poor in terms of food, health and education etc and looking to improve the productivity of the activities that the poor themselves are engaged in.

The attention given to poverty in the field of rural development has much to do with the high prevalence of poverty in rural areas. Most of the world's poor live in rural areas and it is in the rural areas that poverty and associated deprivations are typically at their most extreme. However, the world, and poverty itself, is becoming increasingly urbanised. Indeed, the problem of urban poverty is now high on the international development agenda, so it would be wrong to say that poverty concerns are exclusive to the field of rural development. The Millennium Development Goal objective of halving the number of people living in poverty by 2015 highlights the mainstreaming of poverty as a focus of policy.

Nevertheless, the incidence and severity of poverty will for some time continue to be higher in rural areas as compared with urban areas, so that even though the number of urban people in the world overtook the number of rural people sometime in 2010, the number of poor rural people remained higher than the number of poor urban people (IFAD 2010). Furthermore, many of the urban poor originate from, and retain close links with, rural areas; and the ranks of the urban poor are often swelled by migration that is precipitated by a lack of opportunity in rural areas. What happens in rural areas is therefore important both for both rural and urban poverty.

Gender

Gender issues feature prominently in the field of rural development. Women are often the poorest and most vulnerable members of the rural community and female children are often subject to greater neglect than their male siblings. Like poverty, gender concerns are not exclusive to rural development; however, gender-related poverty is often hardest to tackle in rural areas. Firstly, the cultural norms governing the division of labour and resources between men and women (which often disadvantage women) are usually more deeply entrenched in rural areas. Secondly, the wider difficulties of rural transport and communications keep women isolated from the support that they might get from each other or outside agencies were they to live in a town or city.

Multi-dimensional and interdisciplinary

Because of the broad concerns and multi-dimensional, multi-sectoral, nature of rural development, the study and practice of rural development requires skills and insights from a wide range of disciplines. Agricultural, economic, environmental, sociological, political and institutional theories can usefully be drawn together to study rural change and the best ways to achieve desired objectives. Additionally, the specialist expertise of natural and biological scientists, engineers, as well as education and health professionals are clearly essential in dealing with the challenges of rural development.

1.2.2 The dimensions of rural development

The natural environment supplies one set of factors affecting agrarian systems – of more immediate and direct relevance than they are in the case of industrial societies; and these and the way in which they work are intimately related to the technologies employed by people in making use of natural resources. Demographic factors, the density of population and the trends of population growth are also likely to affect these relationships. But an analysis which took into account only these environmental, technological and demographic processes would be seriously deficient, for the economics of farming and of other production activities and the way in which these are affected by markets and by the connections between the rural economy and the rest of the national economy, or with world markets, must also be included. We must also ask how these factors are affected by the social structures of rural producers and by their values or their 'culture'. Satisfactory analyses of processes of change in rural societies have somehow to embrace all of these issues.

Both rural development and development more generally are about change. Understanding change and promoting desirable change requires good co-ordination between the various actors involved in rural development (farmers, rural residents, government organisations, NGOs and other civil society organisations, donors, rural development professionals, researchers, private firms and businesses etc). However, co-ordination in rural areas is a particularly tough challenge because of the relatively dispersed nature of rural populations, associated communications problems, and the uncertainties that are associated with dependence upon relatively unpredictable natural processes.

POLICY

Why an interest in rural development?

The failure of trickle-down

We saw that in the 1950s and much of the 1960s, the key to economic development was considered to be industrial growth and modernisation. The agricultural sector was hence relatively neglected by national policy, in favour of investment in industry. It was assumed that the benefits of growth would trickle down to the poor as they shifted into the modern sector of the economy, and that the agricultural sector could act as a reservoir of surplus resources and labour for industrial growth without requiring investment in its own right.

However, the poor, who lived primarily in rural areas, and were to varying extents dependent upon subsistence agriculture, failed to benefit from modernisation and industrial growth. The industrial sector in most cases did not expand rapidly enough to provide the necessary jobs, and the agricultural sector itself remained stagnant and unproductive.

At the same time, theories of economic growth, which had previously assumed that investment in the agricultural sector was not needed for industrial growth to take place, were discredited. It became clear to policy-makers that dual investment in both sectors was needed for industrial growth to take place. Additionally, the writings of a number of influential academics in the 1960s (Shultz 1964, Mellor 1966) pointed to the relative efficiency in developing countries of smallholder farming as compared to production on large farms.

Hence, for reasons of efficiency as well as equity, policy-makers began, from the end of the 1960s, to take a much more active interest in the role of the agricultural sector – and especially smallholder agriculture – in overall economic development. Supporting smallholder agriculture seemed to serve both efficiency and equity objectives and has been an enduring theme in both development and rural development policy.

Inefficiency and inequity of urban bias

Despite the increased interest in agriculture and rural development, and despite generally higher levels of investment in the sector than in previous decades, the rural sector continued to be neglected by comparison with the urban areas where a much smaller proportion of the population live. During the 1970s many agricultural economists spoke out strongly against this relative neglect. One of these was Michael Lipton who, in the late 1970s, published a highly influential statement on what he called the 'urban bias' in development policy. It was quite a straightforward plea for the reallocation or redistribution of resources to rural areas – again, for reasons of both efficiency and equity (see 2.1.1).

2.1.1 Lipton's statement of 'urban bias'

The urban bias comes about as a result of the economic and political dominance of a relatively small urban elite. This elite — comprising of businessmen, politicians, bureaucrats, trade-union leaders and a supporting staff of professionals, academics and intellectuals — effectively control the institutions of power — government, political parties, law, civil service, trade unions, education, business organisations etc — and are far better organised than the rural majority. The elites use their power to allocate resources — investments in doctors, teachers, infrastructure, clean water etc — in ways that are heavily biased towards urban needs. This bias is both inequitable and inefficient, since resources allocated to rural areas often generate greater benefits in terms of poverty reduction and economic returns. It is also self-reinforcing, as the more economic resources are devoted to urban areas, the more skills and human capital will concentrate in urban areas, and the more powerful and influential urban areas become (relative to rural areas) in the competition for scarce resources.

The 1970s – a decade of intervention

As discussed previously, an interest amongst policy-makers in rural development strengthened during the 1970s, as a strong backlash against

- theories of development which put emphasis on industrial growth whilst relatively neglecting the agricultural sector – an approach subsequently shown to be inefficient
- the fact that the benefits of growth did not generally trickle down to the poor

In this section we consider three ways in which these concerns have been reflected in policy, especially during the 1970s, the decade that is most strongly associated with government intervention in the rural sector.

- The green revolution is the nickname given to a technology and strategy for agricultural development which proved enormously successful at increasing wheat and rice yields in parts of the developing world.
- Integrated Rural Development (IRD) is an approach to poverty reduction which aims to reach the poor through better co-ordination of development interventions.
- Basic needs approaches involve the redistribution of resources to the poorest in order to satisfy the basic needs of as large a number of people as possible within a relatively short space of time.

The Green Revolution

During the late 1960s and 1970s, efforts were made to improve the productivity of small farmers in developing countries through the introduction of new high-yielding crop varieties (HYVs). Compared to other modern technologies, this technology was scale-neutral – that is, it was just as efficient to apply it on small plots as on large plots.

HYVs were widely introduced in the developing world, and although there were social and environmental costs associated with this innovation, it produced impressive increases in crop yield, inspiring the nickname, the green revolution. These improvements were especially dramatic for wheat and rice, and regions in which these crops were prominent food staples (eg many parts of Asia) benefited more from the green revolution than regions where other food staples were dominant (eg much of sub-Saharan Africa). Questions arose, however, on the impacts of the green revolution on income distribution and the welfare of the poor (both within and outside successful green revolution areas) and on the sustainability of the narrow genetic resource base and high external input and energy use it involved. These continue to be debated (Lipton and Longhurst 1989, Hazell and Rosegrant 2000, IFAD 2010).

Integrated Rural Development – Rationale

Towards the late 1960s, donors looked back at the impact of national agriculture strategies in developing countries and found it to be disappointing in two ways. Firstly, it had seemingly had little impact on the productivity levels and incomes of subsistence and poor farmers; secondly, it had apparently failed to generate employment and incomes for the landless poor.

This failure was because an approach to raising productivity which focused exclusively on improving crop production technology (eg through the development of HYVs) was clearly inadequate. The productivity of poor farmers and the incomes of the landless poor depend on many factors and constraints both within and outside the agricultural sector, including access to a wide range of services and the quality of health, education and rural infrastructure. Given these constraints, inputs into the agricultural sector (eg credit and extension) tend to be hijacked by rich farmers. To counter these inadequacies, the IRD approach to rural development evolved and became popular with donors, governments and NGOs during the 1970s.

There are two uses of the term IRD. In one, the prefix ‘integrated’ does not really add anything to what we already understand rural development to mean. It relates to the recognition by policy-makers and donors that rural development is multidimensional and requires intervention and support on a large number of different fronts that include health, education, rural infrastructure, as well as agriculture and rural non-agricultural industries. In its other use, ‘integrated’ refers to an emphasis on improved administrative co-ordination of rural development planning and service provision.

Integrated Rural Development – Methods

The governments of developing countries applied the IRD approach to rural development in a number of different ways. Planning and co-ordination under IRD took the form of one or a combination of the following:

- multisectoral planning
- decentralised planning to local or regional level

 a shift away from planning around a function or a product towards planning for a specific geographical area

 setting up a special government ministry or department for co-ordinating rural development initiatives

The expected benefit of bringing development policy under a single administrative framework was to raise productivity and incomes in specific geographical areas by improving poor people's access to services and production inputs, which were made available by a host of state and parastatal agencies.

IRD has also been an approach to individual projects. Many types of project have called themselves IRD projects, ranging from projects which provide rural services and infrastructure, to agricultural development and employment generating projects. They often comprise a package of small initiatives generated by an area development plan.

Integrated rural development – results

Although IRD as a development strategy makes a lot of sense, it is difficult to implement in practice. Effective co-ordination is not easy to achieve, especially when traditional sector-based agencies continue to compete against each other, and with new co-ordinating agencies, for power, influence and, above all, funds. Where new agencies were introduced, there was a risk of unnecessary and costly duplication of activities. Moreover, where ministerial departments were set up with IRD responsibility, they did not, on the whole, operate very successfully.

For decentralisation to work, funds and control needed to be devolved to local level administration. However, this can be difficult when actors in central government are reluctant to relinquish authority.

In summary, common problems with the IRD approach, whether at the project level or at higher levels of government administration, were that it was

 difficult to manage

 costly to implement

 overambitious

As a result, successful IRD initiatives were rarely replicated and in the 1980s and 1990s the strategy fell out of favour within the mainstream, as the neo-liberal ideas of market liberalisation and state withdrawal increasingly began to shape development policy.

Basic needs approach – rationale

The basic needs approach to development became popular from around the mid1970s and is described in detail by Streeten (1981). At the time it represented a new way of thinking about development policies. In previous decades the main focus for development initiatives had been macroeconomic growth. Focusing on growth was considered to be the best way of reducing poverty. The basic needs approach contested this view, arguing that development policies should focus directly on poverty by ensuring that the primary goal of policy interventions was to meet the basic needs of poor people. Such targeting

- would be a quicker, cheaper, and more efficient way of reducing poverty than policies focused purely on growth
- was attractive to foreign donors – it is easier to mobilise funds for providing poor people with food, shelter etc than for achieving more abstract goals such as economic growth

The basic needs approach was not directed exclusively at rural areas, but since rural people were those who were most lacking in basic needs it was inevitable that a large proportion of interventions aimed at meeting basic needs should take place in rural areas. 'Basic needs' provided justification for IRD policies and rural development policy more generally.

Also, since the aim of the approach was to meet basic needs within a relatively short period of time, significant redistribution of resources from rich to poor was implicit in the approach, although income equality itself was not the primary goal or target.

Defining and delivering basic needs

Broadly speaking, basic human needs can encompass each material needs (drinking water, nutrition, literacy, access to public services) and non-material needs, such as autonomy, political freedom and security. However, there was considerable controversy over precisely how they should be defined and how they should be met. Proposed approaches to meeting basic needs depended on who defines the needs, and whether the government plays an enabling or a providing role.

- If the government was seen as provider, then the 'count, cost and deliver' mode was adopted. This involved counting how much was needed (eg how many schools, teachers, health centres, doctors, nurses, roads, etc or how much seed, fertiliser etc); estimating the costs of providing these things and seeking the necessary finance; and delivering them, either through government agencies or donor funded projects.
- Where the government has taken on the role of enabler, it has provided earning opportunities for the poor, increased their access to inputs and markets, and attempted to raise their productivity.
- Where political power has been seen as the main deliverable, meeting basic needs has involved participation of the poor in needs analysis, project design and management ie changing the process of development.

According to Streeten et al (1981), the basic needs approach has been variously understood as a redistribution of power from rich to poor; a form of empowerment; or the opposite, a welfare sop to keep the poor quiet; or as a cop-out by governments and agencies who foster self-help instead of taking on the responsibility of providing for the poor.

Chapter Two: Concepts of Regional Development

1.1 The Concepts of Region, Regionalization and Development

A region is a harmonious area with physical and cultural characteristics distinct from those of neighbouring areas. As a part of a national domain a region is sufficient united to have a consciousness of its customs and ideals and thus possess a sense of identity distinct from the rest of the country. The term regionalism properly represents the regional idea in actions as an ideology, as a social movement or as the theoretical basis for regional planning.

A more redefined definition of the region is that it is a set of regional activities with a common area of influence, together with the sets of local activities affected by them and the national and international activities located in the area. It should be noted that this definition extends beyond economic activities to include the activities of local and regional councils, their decisions and the decisions of national authorities located in the regions.

Well, regionalization refers to the techniques of delineating space into regions. Regional economists and other disciplines delineate regions using different techniques.

Natural Region: refers to a spatial unit defined by physical criteria: soil, relief, vegetation, climate... Whether they were large or small, these regions provided the framework for determinist research on the man-environment relationship.

"Cultural » Region: The term "cultural region" designates the area over which cultures are spread and develop territorial solidarity. Cultural geographies are very rich and provide the link between the history of societies and spatial practices.

Functional Region : is defined according to the operational structures of its activities. It is due to its explanatory potential that this concept became of central importance in regioanl studies. It gave regional analyses a more nomothetic character that was to go on to develop regional science (Polese, 1994) and in so doing paved the way for generalizations that were fundamental to economic planning.

Behind this widely used human, historical, cultural and economic reality, regions can be formed depending on its privileged geographic scale. At the end of the 20thc the region has become more economic and more political and it has even become supranational : in the United Nations the world is divided into areas such as "European region" and "American region".

Regionalization can also be developed on the basis of regional pathology: The Emergence of "Problem Areas" which can be category in to four problem regions. These are 1) backward regions, 2) Developed Regions in Recession; 3) Regions with excessive growth and Regions with growth concentration. Dear learner, we will examine these problem regions in chapter-- in a more detail.

There are a few important points to be made regarding the concept of regionalization. First, regionalization may incorporate both unification and diversification. As for example, it may consist of forming a new region out of a few regions, merging the regions into one economic, political, or even environmental zone. Thus, the creation of new regions out of "old" regions is an example regionalization. However, it may contain tendencies of diversification – "individualizing" regions, distinguishing regions as political actors in the domestic or international arena. That is why, on the level of nation-state, regionalization may consist not only in decentralization and/or federalization, but also in a form of centralization (when the process of composing new regions out of old ones takes place). The latter form of regionalization may also take the form of centralization and/or federalization.

Second, there might be more than one process of regionalization on a continental scale and the vectors of "neighbouring" regionalization processes might not always coincide. As, for example, the regionalization in the integrated Europe has, as one of its purposes, the increasing of economic self-sufficiency and democratic government on the regional level. This is one of the reasons why European integration and regionalism are sometimes described as movements with "elements of consistency and mutual reinforcement."

Third, the phenomenon of geographic overlap between different processes of regionalization can take place. And it becomes an interesting phenomenon to study once the "vectors" of the development of regionalization take different directions and are not compatible – as those regions developing towards democracy and a market economy overlap geographically with those regions developing toward a centralized economy.

Dear distance learner, having defined region and regionalization, let us devote some thoughts to the notion of development as briefly explained below.

1.2. The Concept of Development

What does development mean?

Development is the societal process of shifting restrictions on the realizations of human potential in which the shifting of one constraint necessarily affects the incidence of other restrictions. A satisfactory definition of development would have to take in to account the differencing opportunities existing for various groups, since restrictions are unevenly distributed over the various groups.

The concept of development can be approach in at least three distinct ways: operational, relational and comparative approaches. The operational meaning of development implies that some groups sets objectives for themselves in terms of shifting constraints that may be physical (eg. a lack of water for agricultural production), economic (low products prices due to oligopolistic market structures) or socio-political (eg. a lack of participation in public decision making). For such groups, development mean agreeing on the objectives its members want to pursue, the means they intend to use and the actions group has the capacity to undertake. For such group the operational focus may change as reactions by others are evaluated and /or as objectives are attained. Once one constraint has been shifted, the group will attempt to further develop by shifting other constraints.

The concept of development is relational in that it implies changes in economic and socio-political structures. Thus, the positions of a group that has power will in general be affected if another group acquires participation in decision making. In other words, bringing the concepts of development to the group level makes it clear that changes in the interrelations of groups are implied. In other words, development has an eminently political nature.

Finally, the concept of development is comparative in the sense that it can be used to identify inter-group differentials in terms of attributes that are perceived as constraints. For instance, if certain legal rules say that illiterates are not allowed to vote, the group of illiterate has an attribute the constraints of no voting rights.

1.3. The Nature and Objectives of Regional Studies

The interest towards regional studies has greatly increased all over the world in connection with the tasks of planning. Such studies are being undertaken by representatives of not only geography, but also of other sciences, primarily economics and community organization. There are several reasons for the growth and popularity of the concepts related to regional studies/ regional planning/ regional development.

First, the failure of the socio-economic development and the realization about the necessity to change priorities and the look for compromises led to a new thinking i.e. Growth and Equal Conditions of Life (or qualitative growth).This new thinking emphasized the provision of equal living conditions in different regions including employment, housing and social security and guaranteeing an appropriate infrastructure equally distributed and brought close to residential areas.

Secondly, new emphasis on the quality of life or social development. The term “quality of life” began to be widely spread in the west in the 1970s. Destabilization of social conditions and primarily sprawling unemployment, inflation and stagnation of economy, as well as deterioration of the environment and the growing concern of the broad public, determined the need for politicians and specialists in the field of planning to try to tie up the programs of development (including regional ones) with the concept of quality of life. On the whole, the quality of life concept includes a set of material, economic, social and ecological conditions of life, which is considered to be indispensable, proceeding from the ideas common for the given society and region about what is needed for a full and happy life.

What were the major disciplines contributed to the fields of regional studies?

Regional studies originated as a field in various interrelated concerns and disciplines. The various disciplines contributed to the fields of regional studies involved in the field in response to regional policy problems. Among others, sociologists, geographers and economists address regional policy issues. However, it is not possible to say that the combined efforts of all relevant disciplines have resulted in satisfactory answers to the fields motivating concerns and problems. Dear distance learners, it is important to remember that the various disciplines contributed to the fields of regional studies have used different methods and they are applied to different issues.

In their early attempts to understand spatial differentiations of economic activity, scholars in various disciplines gave different explanations. For instance, Von Thuen (1862) gave an explanation of the origin of crop patterns whereas Christaller (1935) and Losch (1938) concentrated on explaining the compositions of urban economic activity in a given regions.

Economists and economic geographers relay on land values, production costs, market prices and transportation costs to explain spatial differentiations in economic activities. For one school of regional geographers, spatial differentiations in economic activities were closely related to the differences in climate, soils, and other natural characteristics. Other argues that this approach implies a degree of determinism that allows little room for human influences such as technological innovations or policy making.

Canadian & American sociologists like Mildered Schwartz (1974) and Walker Connors (1979) were made attempts to understand the cultural differentiations within a country.

Sociologists use characteristics such as dialects, habits in food and closing, customary law… etc to analyze regional identity. They argue that regional identity is an important element in regional growth and development. They often considered regional movements to be independents of the existing social differentiations and run to counter theories emphasizing the existence of class consciences.

Geographers are also concerned with urban development. In a field grounded in urban design and architectures, there was a growing understanding that town and surrounding countryside belong together and that both are subject to continual changes. Hence, understanding their relations and dynamics are very essential in regional studies.

In 1960 Sijoberg developed a typology of cities whereas Rogers (1962), Hagrestrand (1967) and Brown (1968) used elements of sociology of modernization to study the diffusion of innovations and hence, contributing to the understanding of development as it depends on innovations and diffusions. The same approach is often taken by regional economists in their discussions of regional growth theory. Works on the theory of the location of the firms (Weber, 1929; Greenhut, 1956) and on the transshipment points of urban economic development by Hoover (1948) has contributed directly to understanding aspects of economic differentiations in space. Furthermore, the work of neo-classical authors like Ohlin (1933) on interregional trade is worth mentioning in this regard.

What other disciplines contributed to the fields of regional studies?

Our brief overview of the contributions of the various disciplines to the fields of regional studies ends with public administration and political sciences. Here, the intention was to emphasis the policy orientations and multidisciplinary of regional studies. Policy orientation is understood as the responsiveness of regional studies to problems of regional policy as perceived by regional groups or experienced by national, regional or local authorities. This responsiveness implies that regional studies are concerned with policy formulation, implementation and evaluation in as far as these are related to process of change within and among regions. It is generally recognized that such process of change is strongly influenced by government policy. Moreover, these disciplines have also contributed to the design of methods of coordination, of centralization & decentralization, of deconcentration and to planning theory. For instance, the idea of comprehensive planning and decentralized implementation were originating here.

It is important to note that the brief overview of the disciplinary origins and orientations of regional studies does not mean that regional students are generally able to employ all these disciplines but he/she has to understand the multidisciplinary nature of the fields and realize the contributions of the various disciplines to the fields of regional studies.

C*an you explain the objectives of regional studies?*

General speaking, the objectives of regional studies are to comprehend the process of changes in human activities as they occur in regions and to analyze the relationships between these processes and the dynamics of spatial structures such as settlement systems. The other objectives of regional studies constitute the investigation of the relationships between activities in the various regions of a country and the effects of international relations upon these process and relationships all with a view towards helping regions to bring development. In addition to all these, regional studies also concerned with process of change in and among regions and the ways these processes can be influenced by governmental and non-governmental organizations so as to promote development.

1.4. The Growing Concern with Regional Development Issues

As late as 1948, although governments have a large stake in the results of locational development, great power to influence that development and a correspondingly heavy responsibility for influencing it in a socially desirable direction, few governments has ever followed any coherent policy in regard to location. However, a radical change in thinking about regional development was already brewing. In Britain, it had become clear that the depressed economic position of the northern and Welsh industrial areas presented an intractable problem & controversy was widespread on which national policies might or might not work.

Since the 1950s, we have been observing, with some frustration, that developing countries do not seem to catch up automatically with the more advanced ones, even with continued and massive international assistance of various types. Moreover, economic statisticians and historians who had been investigating interregional disparities of income, found reason to question the inevitability of convergence. One basis of concern and of desire for better understanding of regional development policies has been a realization that regional stagnation that depression can be quite persistent.

Throughout much of the 1960s, attention was drawn to pockets of poverty in what otherwise was thought of as the "affluent/wealthy society." Today, we are less apt to view regions with low levels of economic growth or even those experiencing absolute decline in economic activity as being anomalous

W*hat were the major factors which contributed for the change in the concerns of regional growth and development?*

Some of the major factors which contributed for the change in the concerns of regional development objectives and policies include: -

A. Rapid urbanization: There is a distinctly urban dimension to many of the changes in the concerns of regional development thinking. The process of urbanization accelerated earlier in this century because of the declining relative importance of agriculture. Unemployment in urban areas is more visible and more unsettling for both the individual and the community than is rural underemployment. Furthermore, the rapid shift of people from rural areas to urban slums intensified this change; and along with a complex of other problems of urban adjustment, it vastly increased the number of urban areas calling for external economic aid.

   Moreover, problems of traffic congestion and environmental pollution, particularly in and around urban areas, stimulated a search for more rational use of space and resources. These problems developed during the 1950s and 1960s, when virtually every major metropolitan area was growing. Now that a number of larger metropolitan areas are experiencing population decline, additional problems have become apparent. At the same time, rapid metropolitan area growth has meant new pockets of poverty and urban distress in these regions.

B. Fiscal pressures on local and state governments. For expanding areas, with increased demands for all kinds of public services, the principal revenue sources of those jurisdictions often do not keep up with rapidly rising demands of the population. States and local communities are rightly fearful that higher taxes will drive away or deter business investment. The same fear persists in regions characterized by decline; the demand for services does not fall proportionately with population. Often, the least mobile persons (those left behind) are most in need of public services. This as well as the substantial resources required to maintain the existing infrastructure of roads, bridges and sewer systems put upward pressure on tax rates that threatens to place areas hard hit by structural change at further disadvantage.

As a result of these forces, there has been increasing though sometimes reluctant reliance on the more ample and flexible taxing powers of the national government to finance local programs such as education, health and highways and still more broadly to provide unrestricted grants to the states for use at their discretion. This channeling of public money through the national treasury naturally brings to the fore rival regional claims on nationally collected funds and the competition may be intense as national policy makers are themselves forced to reconcile diverse pressures for increased expenditures with slow growth in revenues. *Thus, the problem of just and efficient allocation of resources becomes one of the utmost concerns of regional development objectives and policies.*

C. *another factor arousing interest in the policy problems of regional development is disillusionment with the effects and objectives of the naiver forms of local and regional self-promotion*. As more localities participate in this competitive game, more of the total effort is recognized as simply canceling out. That is, each community is driven to promotional efforts in self-defense by the activity of rival areas. Thus, more and more questions are raised about whether growth itself is a sensible standard of community interest and objective of public action at the local level.

D. *A significant shift in the attitude of the general public and of most economists, towards population growth on a local, regional, national, or world basis was also contributed for the change in the concern of the objectives and policy of regional* growth and development. In the 1920s and 1930s, the beneficence of population growth was unquestioned and leading economists and statesmen were pointing with alarm to the danger of economic stagnation that would be set us if we did not get busy breeding more young consumers.

However, this attitude has changed considerably. In part, the change came from the frustration of seeing hard-won output gains in so many of the underdeveloped countries canceled out by mushrooming population growth. the generally inflationary bent of the economy and the relatively high fertility of people low on the economic and education ladder all helped to undermine the venerable new world tradition of the blessings of increased population.

Today, regional development objectives and its policies are much more aimed at welfare objectives such as fuller employment and higher per-capita income rather than to the misleading standard of aggregate growth.

E. Still another contributing factor in the shift towards more enlightened approaches to regional promotion is the dilution/intensity of provincialism. We now find it normal for individuals to make their home in several different communities and regions during their lifetime and for them to travel often and widely. This more varied exposure is conducive to more objective feelings about programs that may benefit one region at the expense of another.

F. Finally, there have occurred (and are occurring) a number of important changes in the factors determining location choices of producers and consumers. These changes, arising mainly from changes in technology and increased income and leisure, really underlie many of the developments already mentioned and have certainly played a significant part in the rethinking on regional development. In general, Concern, controversy, and experiences have brought into focus some basic issues of regional development objectives and policy, to which we now turn.

1.5. How Regions Grow and Develop?

✪ Introduction

Some of the most important problems to which regional economists and planners address themselves involve processes of growth (or more broadly, change) in the economies of regions. Such changes concern, of course, the people dwelling in the region; they concern also business firms and individuals who are choosing a region for their future activities; and they concern administrators and policy makers on the national level.

Some Basic Questions on Regional Growth and Development

Causes of growth: Why do some regions grow faster than others? What are the primary initiating factors responsible, and through what processes do these causes operate? What is the role of interregional trade, migration, and investment in the spread of development from one region to another?

Structure: How does regional economic structure relate to growth? What kinds of structure are conducive to growth, or the reverse? What structural changes are associated with growth?

Convergence: Why is convergence so much in evidence? Is it universal and inevitable, or is it subject to reversals?

Control over regional development: Can regional development be substantially guided by policy? If so, what are defensible objectives and appropriate policies?

1.6. Causes of Regional Growth and Development

what causes regional growth and development?

Regional growth and change entail complex interactions among activities within the regional economy, so it is not reasonable to expect that any single cause of such change can be identified. Useful explanations consist mainly of analyses of the ways in which an impetus of change is passed from one region or one regional activity to another. However, some theories of development emphasize certain kinds of change as especially independent, exogenous, primary, or causal. In particular, we shall see that the external demand for a region's exports and its supply of labor and other production factors have been stressed as prime movers in some widely accepted theories of regional development.

Chapter Three: Theories of Regional Economic Growth & Development

3.1. Introduction on Paradigms, schools of thought and theoretical bases of regional development

✪ Overview

The end of WW-II and decolonization resulted in the cold war b/n partly, the struggle to acquire allies from the newly independent states of Africa, Latin America and Asia. The search for potential allies has been backed by the emergence & applications of different development theories. As the result, radical new theories emerged under different schools of thoughts or paradigms.

Development paradigms provide the basic foundation to describe the theories and practice of development at different levels. Theories and paradigms are similar in their abstraction and they are generalizations and their implications vary across countries. As paradigms are broader than and encompass many theories, the different theories of development can be seen under two dominant paradigms: Development from Above or top down approach and development from below or bottom up approach to development. Each of these schools claims that their theory held the key to understand development and underdevelopment and present their arguments in the context of regional growth and development.

1.1 Development from Above (Top down Development Paradigm)

What are the basic arguments of the top-bottom paradigms?

The development from above schools' views development as essentially emanating from the core and growth centre and trickling down to the periphery and hinterlands. Accordingly, policies and strategies of development are made by top officials. Development from above aims to achieve functional integration wherein leading regions expand in to lagging (backward) regions and resources of lagging regions are made accessible to the leading regions.

The essential argument of this paradigm is that development will spread over time from few dynamic sectors and geographical clusters to the rest of spatial system. This school is rooted to the neoclassical economic models. i.e. in the balanced and unbalanced growth controversies of the 1950s. In the development from above paradigm, the unbalanced growth model was given high importance during the period of the 1950s and 1960s in the highly influenced works of Perroux, Myrdal, Hirschman and Friedman.

Criticism of Top-Bottom Development Paradigm

What are some of the criticisms of the top-bottom approach?

The paradigm of development from above assume that development in its social, economic, cultural and political dimensions can be generated only by few selected agents such as entrepreneurial pioneers, the white, the urbanites and the intellectuals. The rest of the population are considered' incapable of initiatives in making improvements, consequently everything must be done for them from outside, at least temporary. These few agents are able and willing to allow others to participate in the development process within reasonable time span and on equal basis. These other groups are able and willing to adapt the same type of development pattern.

Critics argue that all the assumptions and hypothesis of the center down development paradigm generally imply an eventually monolithic and uniform concept of development, value system, which is in practices varies across the world. It ignores the great diversity of value system and aspirations created by the differences in value systems and the great variations in natural conditions. It serves the interest of large-scale organizations and the leading regions and very often overruling the interests of local and lagging regions and rural communities.

Critics argue that within the context of developing countries, the top-down development paradigm has contributed to external dependence on developed countries and multi-national corporations and internally dependence of rural communities (periphery on the urban center (leading regions). The persistent dominance of one or few large primate cities, which have critical problems of unemployment and other social and economic problems; Increasing regional development inequalities and real per-capita income inequalities; different social strata; persistent & growing food shortages and deteriorating material conditions in the countryside. Normally, large scale organizational linkages b/n areas of differing levels of development, unequal distributions of power, unequal terms of trade, unequal distributions of scale economies, increasing spatial divergence rather than a convergence of living standards or development disparities. Even with explicit sub national development polices operating through large scale organizations, the sum of back wash effects in most cases still exceed spread effects.

The balance of the ''backwash effects and the ''spread effects ''can be maintained if there is a strong control mechanism avoiding leakages to exterior (control on commodity and factor flow from the lagging regions) and a strong internal redistributive mechanism with broad public participation.

1.2 Development from Below (Bottom-Up development Paradigm)

What are the basic tenets of the bottom-up development approach?

This is an alternative development approach to the center down development paradigm. It gives high priority for economically less developed social groups & areas/regions to their own self determined societal standards. It argues for the need for the change in the level of development decision making: at the local level. It argues for the regions to take control of their own institutions and create a desired life style. The objectives of development from below school are to adapt development patterns to fit regional character and assure generative growth.

Development from below involves controlling the 'back wash effects' of development from above discussed by Myrdal earlier. This requires changes in the pattern of interactions b/n different regions/ nations and the creation of dynamic development impulses/engine within less developed regions. This requires the creation of endogenous factors of change for increased equity & development dynamics. Therefore, development from below aims for the full development of region's/nations natural and human resources/skills for generative growth. Most basic needs services are territorially organized and manifest themselves at the level of small groups and local communities.

Development from below implies alternative criteria for factor allocations (shifting from maximizing return for selective factors to one of maximizing essential resources mobilization; commodity exchange; advocates specific form of social and economic organization; emphasising territorial rather than mainly functional organization; a change in a basic concept of development-shifting from the monolithic concept defined by economic criteria, competitive behaviour, external motivation to diversified concepts defined by broader societal goals, by collaborative behaviour and by endogenous motivation.

It claims that development would need to be considered as an integral process of widening opportunities for individuals, social groups, and territorially organized communities and mobilizing the full ranges of their capabilities and common benefits in social, economic and political terms. Different cultural areas need to construct their own development strategies which will require compatibility only at certain points of mutual benefits. Alternative strategies of development from below need to emerge and be adapted to the requirements of different cultural areas and such strategies may change over time.

Development from below suggests that large parts of any surplus produced within an area should be reinvested locally for the diversifications of the national or regional economy and provisions of goods and services acceptable for internal accessibility. Through the retention of at least part of the regional surplus, integrated economic circuit would be promoted within less developed regions and development impulses would be expected to successfully pass up wards from the local /regional to national levels.

The bottom up development paradigm emphasis that policies of development need to be oriented towards reinvesting regionally created savings within a region; territorially organized basic needs services; rural and village development; small scale and labour intensive industries and medium size projects; technology permitting the use of full employment of regional /or local human and institutional resources on territorially integrated basis.

1.3 Development from Above Vs Development from Below: Their Similarity

What are the common elements of the two development approaches?

1. Both paradigms recognize that nations/ regions will progress through 'stages of growth' and there are also common consciences about how regions evolve from lower to higher stages of development (see Rostow's stages of economic growth);
2. Both paradigms have a common ground in the applications of '' Economic Base Theory''
3. There is some agreement b/n the two approaches concerning the appropriate means for alleviating poverty. Theses may include: -

- More attentions to human development;
- Greater efforts to curb population growth;
- Wider and more rapid diffusions of agricultural innovations;
- Planning in terms of functional economic areas and
- linking functional economic areas by transportations and communications policies that encourage the spatial diffusions of innovations and facilitate the movement of agricultural and light industry outputs from rural areas to large urban markets.

2.Conventional Theories of Regional Growth & Development

✪ Overview

The economic analysis of regional growth and development has a long history and dates back to classical economists such as Adam Smith and Alfred Marshall. From an analytical perspective, the foundations of modern economic growth theory can be found in the early work of Solow (1956), in which he argues that, in a neoclassical economic world, the growth rate of a region (measured in per capita income) is inversely related to its initial per capita income, a thesis which offers an optimistic perspective for poor regions. Gradually, Interesting regional growth models have been extensively developed in the 1960s and afterwards which we will focus on in this section.

1 Theories Based on Resources and Supply

What is the role of natural resources to regional growth & development?

The development of natural resources has played a significant role in the expansion of many regional economies around the world. Despite this important role, research on the relationship between natural resources and regional development has been identified as a neglected area in economic geography (Auty, 2001; Walker 2001). Furthermore, the research that does exist reflects considerable controversy regarding the role that natural resources play in the development process. Some studies have concluded that natural resources are an important catalyst that can expedite growth, while other studies have suggested that resources can impede development by creating an unhealthy economic dependence.

The concept of rent is defined as income generated by the natural resource above normal returns to other factors of production. Although the ability to generate rent is an important determinant of the contribution of natural resources to the regional development process, rent has been a neglected theme in much of the staple-theory research.

1.1 Neo-Classical Growth Theory

Neoclassical economics is a term variously used for approaches to economics focusing on the determination of prices, outputs and income distributions in markets through supply and demand, often as mediated through a hypothesized maximization of income-constrained utility by individuals and of cost-constrained profits of firms employing available information and factors of production, in accordance with rational choice theory. Neoclassical economics dominates microeconomics, and together with Keynesian economics forms the neoclassical synthesis, which dominates mainstream economics today. There have been many critiques of neoclassical economics, often incorporated into newer versions of neoclassical theory as human awareness of economic criteria changes.

Neoclassical economics is the singular element [clarification needed] several schools of thought in economics address. There is not a complete agreement on what is meant by neoclassical economics, and the result is a wide range of neoclassical approaches to various problem areas and domains -- ranging from neoclassical theories of labor to neoclassical theories of demographic changes. As expressed by E. Roy Weintraub, neoclassical economics rests on three assumptions, although certain branches of neoclassical theory may have different approaches: People have rational preferences among outcomes that can be identified and associated with a value. Individuals maximize utility and firms maximize profits. People act independently on the basis of full and relevant information.

1.2 A Staple Theory of Regional Development/export base theory

►*What is the assumption of a staple theory of regional development?*

The staple theory was developed as a framework for analysing the role of natural resources in the development process by Harold Innis (1956) and W.A.Mackintosh (1964). This theory integrates the physical geography of natural features with a theory of economic linkages to explain the spatial pattern and institutional structure of the development process in regions.

Staple products are defined as being based on natural resource extraction and requiring little in the way of processing prior to export to industrial countries where they are used in the production of manufactured products. It claims that regional growth is stimulated by the direct investment in the extraction of the staple and by the "spread effects" of staple development.

what are the elements of spread effects?

The spread effects from staple products can be divided into four categories. These are:

1) forward linkages: involving processing of the staple prior to export; 2) backward linkages: involving the production of inputs such as resource machinery & transportation infrastructure that are required to extract the staple; 3) final-demand linkages involving the production of consumer goods & services to meet the regional needs of those who are employed in the staple industry; and 4) fiscal linkages: involving the expenditure of rents and profits generated by resource production (Watkins 1963, 1977).

What are some of the advantages of regional economies with abundant supply of easily accessible resources?

In this simplified model, regional economies with an abundant supply of easily accessible natural resources have a considerable advantage in the development process. Demand, capital, and entrepreneurship are supplied by external export markets for the staple product, instead of being restricted by regional consumption and savings rates. Manufacturing linkages are developed by the economic logic of processing resources prior to export to reduce weight and transportation costs.

Higher incomes are generated by the in-situ value or economic rent generated by the resource. Rent is defined as the surplus income earned in natural resource development after compensating for all other factors of production. The regional economy expands through these spread effects to achieve the economies of scale necessary to diversify through import substitution and other non-staple-related growth. Over time, the regional economy can become decreasingly dependent on a narrow staple export base and growth can become self-sustaining.

What factors determine the impact of staples on the regional economy?

it is important to notes that the path of staple development is obviously more complex than this simplified summary provides. Many factors, including the production function and technology of the staple, which determine the nature of potential linkages, the quality and quantity of the resource endowment, and the institutional environment in which the staple is developed, all affect the impact of staples on the regional economy. The interplay of these factors has given rise to two identifiable schools of staple theory: the dependency school, which argues that staple development distorts the economy in a way that blocks sustained growth, and the comparative- advantage school, which argues that staples have the potential for creating sustained development.

A. The Dependency School

The dependency school built a theory of staple dependence founded on the following dynamics (Drache, 1995). It is argued that the extraction of staples incurs high fixed costs because they are capital intensive. As a result of the high capital costs, staple development is often undertaken by large foreign-owned firms that have a bias for locating backward and forward linkages outside the staple region because the linkages are often already established in the home location of the foreign owned firm.

The locational bias of foreign owned firms results in the creation of a truncated economy that lacks processing linkages, backward supply-industry linkages, and higher-order management and research and development functions. Incomes earned from the staple are also leaked from the staple economy in the form of payments of profits and dividends to foreign owners.

Final demand and fiscal linkages are therefore also underdeveloped. The foreign domination of staple extraction also distorts the region’s class structure by impeding the emergence of a strong, independent entrepreneurial class in the staple region. the entrepreneurial class that emerges instead is a staple-oriented class that supplies services to the foreign-owned industries but is largely incapable of pursuing new, independent enterprises that are capable of diversifying the economy. The problems of the staple region are compounded by the nature of demand. In the short run, staple demand is subject to highly volatile international commodity markets in which inelastic demand leads to large fluctuations in prices and regional economic instability. In the long run, the non-renewable staples are gradually exhausted, and renewable resources can suffer collapse caused by unsustainable harvest rates (Clapp, 1998).

The spatial manifestation of the dependent staple economy is the emergence of isolated, single industry towns organized around the extraction of staples. The vulnerability of these resource towns to downsizing and closures has been well documented (Robinson 1962; Lucas 1971; Bradbury 1984, 1985; Randall and Ironside 1996; Barnes and Hayter 1997). As Barnes, Hayter, and Hay (2001) concluded, the emergence of single industry towns is an inevitable characteristic of a staple economy, and while “there are periods of stability . . . it is never permanent” because “destruction and bedlam are always waiting in the wings” (Barnes, Hayter, and Hay 2001, 7).
According to the dependency school, governments are handicapped in their ability to manage staple development because they are dependent on large foreign-controlled staple industries for regional economic growth. Governments, therefore, are in a weak bargaining position with large foreign owned firms, which have superior knowledge and bargaining power by virtue of their control of savings, investment, technology, and markets. The role of governments in staple regions is restricted to facilitating staple development by supplying subsidized high-cost infrastructure to extract the staple and providing access to staples on highly favorable terms (Clark-Jones, 1987). This restricted role of governments intensifies the problems of staple ubase. The staple economy will experience financial crises as volatile export revenues are insufficient to cover fixed-debt charges incurred to finance the extraction of staples, and ultimately will collapse when the staple is economically or physically exhausted. The pessimistic conclusion of the dependency school is that staple-led growth is a high-risk development strategy that cannot provide the basis for sustained regional growth and development.

Latin America, Prebisch (1950, 1963) specifically condemned the role of staples owing to their structural constraints, which included the long-run decline in staple prices, low income elasticity of demand for staple products, and the poor bargaining power of staple regions. The preferred strategy was to abandon staples in favor of manufacturing through import substitution and high tariffs. Girvan (1971) illustrated additional pitfalls in staple-led growth in his analysis of the failure of staple-producing regions to develop production linkages because of the oligopolistic structure of multinational capital.

B. The Comparative-Advantage School

The comparative-advantage school is more closely associated with the Mackintosh staple tradition. Mackintosh (1964, 13) began with the observation that "rapid progress in new countries is dependent upon the discovery and development of cheap supplies of raw materials by the export of which to the markets of the world the new country may purchase the products which it cannot produce economically at that stage of development."

Mackintosh also emphasized the importance of foreign capital, entrepreneurship, and technology in expediting the development process. As he concluded, "without such borrowings and adoptions, progress is inevitably reduced to the slow pace of domestic accumulation of savings and the development of local inventions". While Mackintosh (1964) lauded the comparative advantage provided by staples, he was acutely aware of the challenges, particularly the combination of high fixed debt charges incurred to finance the extraction of staples and volatile revenues from the export of staples. As Mackintosh observed, "since the incomes derived from the export of raw materials are notoriously variable, the economic difficulties which new countries so frequently find themselves are those that occur when fluctuating incomes are coupled with the rigid expenditures occasioned by heavy debt charges".

He also cautioned that staple regions have a propensity to form excessively bullish expectations during commodity booms that stimulate investment in uneconomic capacity. Mackintosh's inventory of constraints excluded many of the impediments identified in the dependency critique. Nonetheless, Mackintosh's optimism was a qualified one, which included an appreciation of both the advantages and some of the challenges facing a staple economy. Hirschman (1981) developed a synthetic analysis that also concluded that staples can provide the basis for sustained growth if the income from staples is retained by the regional economy and invested wisely.

C. the New synthesis

The existence of these two traditions in staple theory has produced a dialectical interplay between the pessimism of the dependency tradition that staples have a pathological disorder that leads inevitably to crisis and the qualified optimism of the comparative-advantage tradition that staples are an important asset in the development process.

The product of this dialectic can produce a synthesis that combines the constraints of staple-led growth identified in the dependency position with the strengths identified in the comparative advantage position to form an integrated framework that exhibits elements of both traditions. Watkins's (1963) pivotal exposition of staple theory is a good example of this synthesis.

Like Mackintosh (1964), Watkins saw staples as a potential leading sector that provided a comparative advantage for resource-rich countries in the development process. Watkins described how a diversified economy could evolve from a narrow staple export base through a series of linkage effects. But like Mackintosh, he identified a number of challenges that could impede development and drive the economy into a staple trap. Watkins cited many of the obvious impediments, including the production function of the staple, which determined what potential linkages existed; export demand; and the quality of the resource base. He also acknowledged the impediment recognized by both Innis (1956) and Mackintosh that staple economies had a propensity for being overly optimistic and building costly surplus capacity.

► *What were the other challenges of staple identified by Watkins?*

Watkins also identified several more challenges of staple. The fist challenge is the development of an export mentality that resulted in the over concentration of entrepreneurship on the staple sector at the expense of other sectors. Second, the leakage of incomes to foreign owners that reduced the final demand linkage in the staple region. The third challenge was the reliance on foreign technology, which could be advantageous in providing skills, but could also impede the domestic sector by discouraging the development of indigenous technological capacity. Watkins emphasized that staple regions are believed to be much more at the mercy of destiny than they actually are and that the key is to avoid pitfalls of staple-led growth by developing the linkages necessary to diversify the economy.

Economic Impacts

What is the economic impact of staple?

As we discussed earlier, staples generate activity through the extraction of the staples and through spread effects, which can be divided into the following four linkages: forward, backward, final demand and fiscal linkages.

The principal advantage of the staple sector is its ability to generate rent above normal returns to other factors of production. Natural-resource rent can be generated in several ways (Gunton and Richards 1987). First, rent can result from the difference in cost between the marginal producer, who just covers costs, including a normal return to capital, and the intramarginal producer, who covers costs plus a return equivalent to the cost advantage over the marginal producer—generally referred to as *"differential rent."*

Second, rent can be generated if staple producers have sufficient market power to raise prices by restricting the supply—normally referred to as *"monopoly rent."* Third, rent can result from the short-run mismatch between supply and demand because of the long lead times required to change production capacity— typically referred to as "*windfall rent."* Finally, rent can be generated by the absolute shortage of a resource, which results in higher prices in anticipation of the exhaustion of resource—called *"user cost" rent.*

Regardless of the type, rent provides a surplus relative to other economic activities that can stimulate growth by increasing incomes and consumption in the regional economy. As Chambers and Gordon (1966) demonstrated, rent is the key measure of the comparative advantage of staples relative to other economic sectors. In benefit-cost terms, rent is a measure of the net benefit of resource development.

Implications of Staple Theory for Regional Policy

what is the implication of staple theory to regional development?

The principal implication of staple theory for regional development policy is that regions with a natural resource endowment should concentrate their efforts on realizing the comparative advantage offered by staples relative to other economic activities. Staple development poses challenges, but the net benefit equation favors staples over other economic options, which also pose challenges without the offset of resource rent. Realizing these benefits requires assiduous/diligent management of resource development by the state. Accordingly, two policy initiatives are key: the collection of rent by the public owner and efficient management of resource development. Several studies reveal that the collection and recycling of rent back into the staple region is a complex activity. Results from the case study as well as from other studies on rent-collection strategies provide some guidance (Auty 2001; Figueroa 1999; Gunton and Richards 1987).

What are some of the important rent-collection strategies?

First, rent collection techniques must be sensitive to market cycles and collect only the residual that remains after allowing normal returns to capital and labor. Royalties based on rate of- return systems, competitive bidding, and strategic public ownership are the preferred techniques. Otherwise, rent collection could increase instability by collecting too much during downturns, thereby contributing to contraction in the industry as resource firm’s close capacity and collecting too little during upturns, thereby increasing leakage.

Second, because rent is the most volatile revenue stream from staples, care should be taken to ensure that rent recycling is based on a long-term average income stream. Auty (2001), noted how rents during peaks are locked into financing ongoing expenditures that create fiscal stress for the staple economy when the rental income declines. Mechanisms, such as placing resource revenues in a special resource-stabilization fund separate from general revenue streams, are recommended for consideration.

Measures to improve efficiency, particularly in the private sector, are also challenging. Several points are key. First, there has to be a better appreciation of the fundamentals of resource commodity markets and the psychological propensities of investors. The nature of resource development, with its long lead times to develop new supply and high fixed costs, produces commodity cycles that are characterized by extended booms followed by declines as new supply emerges and substitutes are found. These booms lead to the formation of excessively optimistic expectations, which stimulate new entrants with minimal experience who build uneconomic capacity and purchase existing capacity at excess prices. Uncertainty regarding future markets makes some frustrated expectations inevitable, but given past experience, investors need to err on the side of pessimism.

Second, public policy in resource development needs to be risk averse. Instead of fuelling excess expectations by promoting growth through financial incentives and investment in infrastructure, governments need to limit their involvement. In those instances, in which economies of scale and external benefits necessitate public investment, such involvement should be contingent on independent reviews that are based on the principles of full-cost recovery. Therefore, a policy of discouraging or being neutral toward private-sector investment, instead of the usual approach of the aggressive promotion of investment, would have resulted in substantially higher benefits from the coal industry by avoiding uneconomic expansion.

Also, care must be taken to avoid requiring investment in production linkages, such as processing, that may be uneconomic. Such investment in linkages can dissipate rent and create marginal industries that are vulnerable to market cycles. Furthermore, as the case study of coal shows, production linkages may generate far less employment than fiscal linkages that are based on rent.

Finally, governments must be more aggressive in collecting rents from the resource sector, both to encourage efficiency and to achieve an equitable return for the public owner. Auty (2001) showed that the retention of rent by the public owner could result in the dissipation of rent in dubious public projects. This case study shows that the retention of rent by the private sector can also result in rent dissipation by providing excess returns, which stimulate uneconomic expansions and higher production costs. A more aggressive rent collection regime in coal would have reduced the likelihood of dissipating rent in higher production costs in the early boom period and the likelihood of investing in uneconomic new capacity, which would have avoided most of the instability of the industry resulting from closing uneconomic capacity and downsizing to reduce costs. If rent had been collected, the industry would have been smaller but more stable.

Conclusion

The essence of the debate between adherents of the dependency and comparative advantage paradigms is whether staples have inherent assets that expedite development or whether they have liabilities that impede development. The conclusion of this qualified comparative-advantage position is that while staple-led growth is characterized by many challenges, it provides an important advantage in the development process if it is properly managed. The key to successful management revolves around one of the key features of staples: their ability to generate rent. Staple regions must focus on collecting rents to increase regional growth by recycling them back into the regional economy. Furthermore, the collection of rent and the elimination of subsidized infrastructure will help increase efficiency and avoid the construction of surplus capacity.

2.5. Theories Based on Demand and Markets: Economic Base Theory

What is the assumption of the economic base theory? Can you explain it?

Dear learner, the economic base theory is one approach to an explanation of regional growth and development. The essential idea of this theory is that some activities in a region are peculiarly basic in the sense that their growth leads and determines the region's overall development. The other *(non basic) activities* are simply *consequences* of the region's overall development. If such an identification of basic activities can really be made, then an explanation of regional growth consists of two parts: (1) explaining the location of basic activities and (2) tracing the processes by which basic activities in any region give rise to an accompanying development of non-basic activities. The usual economic base theory identifies basic activities as those that bring in money from the outside world, generally by producing goods or services for export.

The argument advanced for this approach is that a region, like a household or a business firm, must earn its livelihood by producing something that others will pay for. Activities that simply serve the regional market are there *as a result of* whatever level of income and demand the region may have achieved: They are passive participants in growth but not prime movers. A household, a neighborhood, a firm, or a region cannot get richer by simply "taking in its own washing"; it must sell something to others in order to get more income. Consequently, exports are viewed as providing the economic base of a region's growth.

A regional economic base theory generally seeks (1) to identify the region's export activities, (2) to forecast in some way the probable growth in those activities and (3) to evaluate the impact of that additional export activity on the other, or non-basic, activities of the region. The result is not only a projection of the region's prospective growth and structural change but also a model that can be used in evaluating the effects of alternative trends of export growth.

It mainly focuses on firm's productivity, and firm's location. It describes the economic relationships b/n hierarchies and development is sustained through vertical and complementary linkages among industries. This theory identifies three types of external relationships critical for regional growth and development namely trade (characterized as imports & exports of goods and services); migration of people (in their capacities as both consumers & workers) and migrations of other factors- principally capital for investment.

It further suggests that economic activities of a region can be divided b/n industries producing goods and services for export and industries producing goods for local consumptions. The economic development of a region depends upon its ability to raise the volume of exports and to continue in doing the same relative to consumption of locally produced goods and services. This requires attracting capital and skilled labour essential for sustaining its development.

►*How can we determine the region's export activities?*

A region's export activities can be determined with various degrees of precision. The simplest and crudest procedure is simply to assign whole industries or activity groups to the export or non-export category without making a specific local investigation. Thus, retail trade, utilities, local government and services may be classed *en bloc* as non-export, while manufacturing is considered wholly an export activity.

A more sophisticated approach is to recognize that almost all activities in a region produce partly for export and partly for the regional market, and to try to estimate how much of each activity is for export. A community with a large number of packing plants is also likely to have a large number of tin can manufacturers. Even though, the cans are locally sold, they are indirectly tied to exports. Location quotients will show them as exports.

A more painstaking procedure of determining a region's export activities is to get information on actual shipments of goods and services out of the region. In recent years, progress has been made by the Census in collecting and organizing data on manufacturers' shipments between large regions. For some time, however, there will continue to be a dearth of information on exports from smaller regions such as individual metropolistan areas or countries; and exports of some services pose additional data problems. Many economic base studies have canvassed at least a sample of the firms that are believed to be involved in exporting, in order to get a reasonably accurate measure of the region's external trade.

The view of export demand as the prime mover in regional growth raises some interesting questions that indicate the need for a more adequate explanation. Consider, for example, a large area, such as a whole country, that comprises several economic regions. Let us assume that these regions trade with one another, but the country as a whole is self-sufficient. We might explain the growth of each of these regions on the basis of its exports to the others and the resulting multiplier effects upon activities serving the internal demand of the region. But if all the regions grow, then the whole country or "super region" must also be growing, despite the fact that it does not export at all. It appears, then, that *internal trade and demand* can generate regional growth. That is a region really can get richer by taking in its own washing. Dear students, let us next look at the role of import to regional growth and development.

► *What is the role of import for regional development?*

In the mechanism of the regional export multiplier, expenditures for imports represent *demand leakage* from the regional income stream. The greater the proportion of any increase in regional income that is spent outside the region, the smaller is the multiplier. Then, it follows that if a region can develop local production to meet a demand previously satisfied by imports, this "import substitution" would have precisely the same impact on the regional economy as an equivalent increase in exports. In either case, there is an increase in sales by producers within the region. it is important to remember that it is quite incorrect to identify a region's *export* activities exclusively as the basic sector which can generate regional growth.

It would be more appropriate to identify as basic activities those that are *interregionally footloose* (in the sense of not being tightly oriented to the local market). This definition would admit all activities engaging in any substantial amount of interregional trade, regardless of whether the region we are considering happens to be a net exporter or a net importer. Truly speaking, basic industries would be those for which regional location quotients are either much greater than one or much less than one.

This necessary amendment to the export base theory, however, exposes a more fundamental flaw. We are still left with the implication that a region will grow faster if it can manage to import less and that growth promotion efforts should be directed toward creating a "favorable balance of trade," or excess of exports over imports. Let us examine this notion further more in details.

If a region's earnings from exports exceed its outlays for imports, on net there is an exodus of productive resources from the region (as embodied in goods and services traded). In this sense the region is loaning its resources to other areas, and its people and businesses are building up equities and credits in those areas. Thus, the region is a net investor, or exporter of capital. By the same token, if imports exceed exports, the region is receiving a net inflow of capital from outside.

Hence, it is patently meaningless to argue that the way to make a region grow is to invest the region's savings somewhere else, and that an influx of investment from outside is inimical to growth. If anything, it would seem more plausible to infer that a region's growth is enhanced if its capital stock is augmented by investment from outside—which means that the region's imports exceed its exports. In short, in any event, regional development is normally associated in practice with increases in both exports and import

Theories Based on Concurring Space

in the preceding lessons, we have discussed about the conventional theories of regional growth which comprises theories based on resources and supply and theories based on demand and market. Besides, there are many other theories of regional growth based on concurring space: growth center theory, cumulative causation theory; core periphery theory and agroplolitian development theory.

2.3.1 Growth Pole or Growth Center Theory

What is the assumption of the growth center theory? Can you explain it?

One of the regional growth theories based on concurring space is the growth center theory. This theory was introduced by Perroux in 1955. Perroux coined the term 'growth pole or growth center' with the primary concern intended to promote interactions among industrial sectors rather than spatial development processes. He distinguished the concept of growth center/pole and hinterland within the context of regional development. *Growth pole/center:* are urban or extended metropolitan areas, also called ‘urban fields’ containing also of expanding economic activities which induce from which growth further economic development throughout its hinterlands. *Hinterlands,* on the other hand, cover an area outside the urban fields.

The theory argues that with limited resources, it would be inefficient and ineffective to attempt to sprinkle development investments thinly in all sectors or across all regions rather key urban canters should be selected for concentrated investment programs that would benefit from economies of scale and external economies of agglomeration. It further argues that Economic growth doesn't appear everywhere at the same time rather economic growth manifests itself in growth pole/center, with variable intensities, then growth spreads by different channels and with variable terminal effects for the economy as a whole.

According to Perroux development in hinterlands is fueld by expanding metropolitan centres. That is investment trickles out from the growth center/pole to the hinterlands. However; empirical studies reveal that the innovation diffusion process and the spread effects to the hinterlands are minimal and highly discontinuous in spatial terms. Perroux emphasised the importance of entrepreneurial innovation in the process of development which succeeds by dynamic sectors or pole through time. He also stresses on few dynamic sectorial clusters as well as on urban-industrial growth as key to regional development.

2.1.3.3 Cumulative Causation Theory

what is the basic assumption of the cumulative causation theory?

Cumulative causation theory is another theory of regional growth based on concurring space. This theory is developed by Myrdal in 1957. In his work, Myrdal distinguished the existence of leading and lagging regions in the process of regional/spatial aspect of development. The concepts of leading-lagging distinguish advanced/developed regions from the underdeveloped/backward regions both at the global and regional levels.

Myrdal used the concepts of ‘‘backwash’’ and ‘‘spread effects’’ to explain the results of leading and lagging regions relationships. He argues that leading regions possesses comparative advantages due to its location, infrastructures and other factors of development. Ever increasing investment in the leading regions results in agglomeration. These will further promote development in the leading regions. In contrast, little investment/development incentives/ moves to lagging regions due to its comparative location, shortage of infrastructures and other resources. The elites of leading regions control investment in the lagging regions to ensure the economic dominance of their respective regions. Myrdal also argues that development in lagging regions are further inhibited because of ‘‘the back-wash effects’’ and other barriers. But, dear learner,

►*What does he mean by backwash effects? What does it mean spread effects?*

The' back wash effects’’ involves the phenomenon of population migration, trade and capital movements to the leading regions; skilled workers, business leaders and venture capital will move from the hinterlands (lagging regions to the growth pole (leading regions) to seek high returns as the result of increased demand available at the growth center or the leading regions. Goods and services produced in the leading regions are sold to the lagging regions at low prices that the local industries in the lagging regions cannot compete and which in turn the growth of local industries. Therefore, such ‘’backwash effects’’ create the tendency of an increased inequality b/n the leading regions and the lagging regions.

Although, it takes long time, there is a propensity of ‘spread effects’ that may counter the ‘’backwash effects’’ that emerge as the result of the relationships between the two regions. This is because one feature of leading regions is that they tend to spread out in to lagging regions. In addition, most lagging regions have comparative advantage principally, in natural resources that result in positive investment flow in to the lagging regions. Therefore, increased outlets of investment opportunities for lagging regions’ agricultural products; raw materials and a tendency of technical advancement to diffuse from the center will be imminent. Therefore,

►*Under what conditions, development in the lagging regions occurs?*

Myrdal concludes that cumulative causation (i.e. development) will happen in the lagging regions, when the spread effects is stronger than the backwash effects whereas the reverse situations will adversely affect the process of development in lagging regions but it is positive for the leading regions.

2.3.3 Core Periphery Theory

what are the basic doctrines of the core periphery theory?

The theory of core periphery was developed by Friedman in 1972. He made an attempt to formulate the systematic and comprehensive core periphery model. The core periphery concept distinguishes b/n regions of a global scale, while regions can be composed of the entire nations or collections of states. The theory involves not only the matter of the national economic development of individual countries or regions but also a significant and highly integration of international dimensions.

According to this theory, development originates in a relatively small number of ‘’center of changes’’ located at the points of highest interactions. Then innovations diffuse from these centres (origin) to dependent areas of lower interactions. Friedman argued that regional development is the result of the creative potential of a society through a successive series of structural transformations. It assumes that development occurs through a continuous & cumulative process of innovations. He suggests that the creations of multinational firms on a continental basis as a precondition for more rapid diffusion of innovations in developing countries. In general, Friemann’s theory assigns a decisive influence/role to the institutional and organizational arrangements of a society.

In our previous discussions, we have noted that the growth center theory assumes that development starts only in few dynamic sectors and geographical clusters from where it will spread to the remaining sectors and geographical locations. On its part, the core periphery theory argues that the trickle-down process essentially supposed to start at the global level (from the world innovation centres) and then filter down and outward to national or regional units through the urban hierarchy, inputs and outputs relations; channels of multinational business organizations or large-scale government organizations.

Therefore, this theory emphasis urban and industrial capital-intensive development; the highest available technology; and maximum use of external and scale economies. This usually involves large investment projects; increasing units of functional and territorial integrations; increased scale of the private and public organizations required to transmit innovations through these integrated units and reductions of economic, social, cultural, political and institutional barriers which might hinder the transmission of innovations within and between these units.

1. Agropolitian Development Theory

This theory argues that regions/nations themselves have to determine the kinds of economic and social development that is desired by a particular region. The theory believes that development mainly occur from internal sources. Advocators of this theory argue that only by preserving cultural regionalism would a regional society have a chance to carry on industrializations with its tendency to force cultural conformity with the industrial interests. They propose regional /national planning that would formally create autonomous organic territories that would be defined by natural resources, climate certain historical elements, cultural traditions, and social structures.

This theory aims at self-sustaining regional/local development through the supposed ability to transform the socio-economic system; react to external challenges and the formulations of social learning &specific forms of social regulations at local level. It also favours export base industries that have potential to raise quality of local life and production of goods and services.

► *What are the implications of agropolitian development theory?*

First, the theory assuming greater control & manage over renewable natural resources to sustain yields and thereby assure permanent economic base. In less developed regions with surplus labour and sufficient capital, agropolitian theory, suggest the establishment of labour-intensive technologies to use local resources/natural resources. Moreover, it argues that efforts would be made to support local industries to provide goods and services locally that would otherwise be imported.

High way Infrastructures would be built to improve accessibility within the agropolitian areas not necessarily between agropolitian regions and growth centres. Encourage those export base industries that improve the quality of local life and development and discourage those export base industries that exploit local resources but do not improve the quality of local life. Encourage Investing local savings in to local opportunities even when the returns of the investment may be less that returns earned by investing outside the agropolitian region. Efforts would be made to create a social consciousness towards common benefits and development goals.

Contemporary Approaches & Perspectives on Regional Development

3.1 Endogenous Growth Theory

what are the basic doctrines of endogenous growth theory?

Endogenous growth theory is an alternative development approach to the unsuccessful externally induced and standardized development approach, propagated by international organizations like WB, UNDP, and IMF. This theory is also known by various names like ‘’self-reliant theory’’, or ‘’new growth theory’’. Endogenous development model is relatively a self-sustaining model capable of transforming the local economic system based on local characteristics. It emphasis the necessity of building ability of a region to control certain fundamental resources like ensuring the use of local resources for local development (capital, entrepreneurship, material resources); the ability to check the accumulation process; the ability to innovate & developing of productive interdependence between firms and economic activities.

Proponents of the endogenous development model advocates:

- Reducing dependence on imported goods and services by import substitutions;
- Changing in the consumption patterns of the local people from imported goods to endogenous products;
- Improving regional/local capacity for negotiating with transnational corporations;
- Expansions of internal markets (regional and inter-regional) which should be covered with local products to solve specific problems and to provide goods and services to the local people;
- Promoting efficient production & distributions through a proper functioning prices System and efficient and sustainable uses of natural resources;
- Developing human capital of a region/nation and mobilizing internal and external resources necessary for local development and wisely using these resources.

3.2 Need Based Development Approach

What are the basic doctrines of need based development approach?

The basic need development is a new line of development thinking advocated by those who try to redress the meaning and purpose of regional development in the context of human welfare. As alternative development approach, BND is a relatively recent phenomenon that emerged as the result of the failure of the other approaches & strategies. It took over dominance in the development discourse and practices since the mid-1970s. According to Chambers (1994) this period (mid 1970s) has been marked by a shift in development approaches from''top down to bottom up development approaches''; 'centrally planned to local diversity', 'blue print to learning processes. This fundamental shift in the development approach is variously referred in literatures as: Another development'; 'alternative development'; people centred development'; community-based development and participatory development approaches.

Need based development is aimed at meeting the basic needs of human beings and improving standards of living in a wider perspective. It seeks to ensure sustainable regional development and realizing poverty alleviations; give due attention to poverty eradication, employment creation, income distributions and the provisions of basic services to people. That is, its goal is to empower the poor.

What is empowerment? Can you explain it?

Empowerment refers to enabling the poor to take direct control over the circumstances of their own lives so that they are in positions to become their own development agents in the future. According to Chambers (1993) empowerment means that people enabled to take more control over their lives and secure a better livelihood with ownership and control of productive assets as one key element. From the empowerment point of views, the purpose of community Based development is enabling poor people to achieve all life necessities. The general belief is that through empowerment individuals, communities, and nations could obtain collective responsibility for their own future and manager of their own development; imply the formulations of strategies to ensure poverty alleviations & sustainable development; and Implies changing the patterns of controlling resources and political power as the attainment of self-reliant development and determinations of their own destinies by the disadvantage groups.

NBD is also known as Community Based Development. Accordingly, Hope (1995/6) referring CBD as a process that involves social and economic actions for solving local problems by combating efforts and resources of various stakeholders. CBD needs understanding of the basic social and economic problems of a given community and then taking necessary actions to solve it. It is intended to achieve progress in the living standards, achieving economic growth, generations of wealth and the use of regional resources on a continuous and sustainable manner.

Community based development emphasis the adoptions of need oriented regional strategies which focus on the establishment of small-scale projects which can increase social and economic access for the disadvantaged groups/regions & be managed and easily duplicated. This project should be adaptable to local conditions (knowledge, skills, technology etc) & be community owned and directed so that they can create local self-reliance. As instruments to Need Based Development, projects should be demand driven & be targeted towards poverty alleviations, employment creation, raising incomes, and increase availability of basic services.

3.3 Learning, Innovation and Regional Development: A Critical Appraisal of Recent Debates

Introduction

A resurgence of interest in the region as a scale of economic organization and political intervention has been apparent within economic geography and regional development studies over the past decade. At first sight, this seems paradoxical, given the prevailing emphasis on globalization as perhaps *the* political and economic metanarrative of the 1990s (Held and McGrew, 2000). In many ways, however, it is precisely this tendency for production and finance to become increasingly globalized that explains much of the renewed concern with regions. As a consequence, national economic coherence has been undermined, reducing states' control over flows of investment and directly exposing regions to the effects of international competition. This has focused attention on the need for 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 (Amin and Thrift, 1994).

In view of the apparent shift towards a ‘knowledge driven economy’, the capacity of regions to support processes of learning and innovation has been identified as a key source of competitive advantage (Cooke, 1998). Economic geographers and regional theorists have advanced a number of overlapping concepts – ‘relational assets’, ‘learning regions’, ‘social capital’, ‘institutional thickness’, ‘associational economies’ – which emphasize the importance of knowledge and learning (Amin & Thrift, 1994). The proliferation of these concepts reflects a focus on social and institutional conditions *within* regions in terms of how they shape processes of economic development (Hudson, 1999b). This represents a discernible movement away from the earlier concern with material linkages and transaction costs (Scott, 1988).
Lovering (1999) presents a powerful critique of this ‘new regionalism’, however, identifying a general neglect of exogenous forces such as capital and the state and a tendency to absorb the ‘boosterist’ rhetoric of regional policy-makers as particular weaknesses. Other critics have suggested that the theoretical vitality of contemporary work in economic geography is matched by a worrying lack of empirical rigour, and an increasing policy irrelevance (Markusen, 1999; Martin, 1999).

As indicated earlier, the translation of earlier interest in agglomeration and new industrial spaces into a focus on ‘learning regions’ and ‘innovative milieux’ during the 1990s is indicative of a general shift away from input-output relations and material linkages towards a broader concern with the *social and institutional foundations of growth* (Lawson *et al*., 1998). This orientation seems to reflect the increased importance of these extra-economic relations as sources of competitive advantage in the globalizing, knowledge-driven economy of the 1980s and 1990s (Jessop, 2000).

In terms of how such relationships are actually represented, two key theoretical influences can be identified. First, there has been a resurgence of interest in ideas from evolutionary and institutional economics (Arthur, 1994; Nelson and Winter, 1982; Hodgson, 1993) which stress the importance of path dependency and the role of institutions in shaping economic development trajectories (Amin, 1999; Cooke and Morgan, 1998; Storper, 1997). these perspectives emphasize the importance of temporal and (more implicitly) spatial variation, caused by specific institutional rules and practices that govern economic action. Over time, particular choices, themselves framed by past decisions, open up new pathways of economic development, but preclude others (Arrow, 1962). Thus, the future becomes, in a sense, ‘locked in’ to a fated path which reflects feedback mechanisms based on increasing returns to scale.

Second, work in economic sociology on ‘embeddedness’ has directed attention towards the importance of locally specific social and institutional factors in shaping economic development, particularly in terms of supporting innovation and entrepreneurship through the development of collaboration and trust between firms and organizations (Amin and Thrift, 1994; Keeble *et al*., 1999; Morgan, 1997).

At the same time, the current emphasis on endogenous regional capacities as sources of economic success (Hudson, 1999b) represents an important continuity with earlier work on new industrial districts and spaces. Another key parallel trend concerns the tendency for accounts of learning and innovation to be framed in epochal terms as part of a broad societal shift, exemplified by Lundvall’s oft-cited claim that capitalism has entered a new stage in which knowledge is the most important resource and learning the most important process. In this context, Lagendijk and Cornford (2000) highlight the growth of a ‘regional development industry’ in recent years, orientated towards the production and circulation of knowledge in the forms of reports, conferences and seminars.

The concepts of ‘learning regions’ and ‘clusters’ in particular have attained hegemonic status within contemporary regional development discourses. This can only be explained in terms of the broader context within which regional development agencies have had to operate in recent years. In a climate of increasing globalization, the turn towards neoliberal forms of regulation has exposed regions to increased competitive pressures (Jessop, 1994). This has created a demand for new concepts and models of development which offer guidance on how to increase competitiveness and foster innovation, as regional agencies strive to promote and defend the interests of ‘their’ areas in the face of increasing competition for investment and resources (Hudson, 1999b: 12; Peck and Tickell, 1994).

This section has attempted to track the evolution and development of regionalist thought within economic geography. In broad terms, earlier conceptions of agglomeration which emphasized the importance of material linkages between proximate firms have given way to a focus on endogenous regional capacities in the 1990s (Amin and Thrift, 1994; Camagni, 1991; Cooke and Morgan, 1998; Morgan, 1997; Piore and Sable, 1984; Storper, 1997). As we have suggested, this latter body of ‘new regionalist’ work (Lovering, 1999) is made up of various diverse strands and influences. One problem, however, concerns the tendency to take the foundational concept of ‘the region’ for granted (Lovering, 1999; MacLeod, 2002), with much of the work on regional economic development remaining isolated from broader analyses of the production and transformation of regional space (Harvey, 1982, 1985; Massey, 1991; Paasi, 1991; Pred, 1984).

In this sense *Innovation* refers to a continuous process of technical improvement.

What are the channels of the circulation of knowledge?

This concern with operationalization and measurement led the researchers to identify three key mechanisms of learning relating to the extent of local spin-off from existing organizations through the formation of new enterprises, the level of inter firm interaction, and flows of skilled personnel between firms (Keeble *et al*., 1999: 324–26).

The empirical studies share a concern with tracing the mechanisms by which knowledge is generated and circulated within regional production systems. As a consequence, the key issue of adaptation to changing external circumstances is rarely addressed in an adequate and sustained way. While much of the initial success of industrial districts was rooted in their capacity to support incremental forms of product and process innovation, this is unlikely to be sufficient to secure sustainable growth in the long term as districts grapple with the problems of being simultaneously 'locked in' to increasingly exhausted technological trajectories and 'pulled out' into wider globalized networks of investment and exchange (Asheim, 1996; Cooke and Morgan, 1998). Prospects for growth are thus strongly dependent on their capacity to adapt to change (Amin and Cohendet, 1999; Asheim, 1996; Belussi, 1996; Cooke and Morgan, 1998). It is in this sense that debates about learning regions become pertinent.

3.3 Learning Regions and the Knowledge Economy

What is the basic approach of learning regions & innovative milieu to regional development?

Accounts of learning regions and innovative milieux share a concern with the creation of sustainable localized advantages in the face of increasing global economic integration. The learning region concept has evolved from a set of essentially 'top-down' prescriptions of the links between innovation and economic success against a background of globalization. More specifically, the notion of learning regions can be seen to have emerged out of a concern to channel insights from the broader literature on national systems of innovation into a 'new regional science' (Cooke, 1998; Cooke et al., 1998).

Dear learner, it is important to notice that, one of the problems associated with the transfer of ideas about learning and innovation from national to regional levels concerns the failure to recognize the specificity of the 'nations' and the 'regions' as distinct scales of political-economic organization. Then,

What are the key propositions of learning regions and knowledge economy?

while questions of knowledge creation and regional development have been addressed from a range of perspectives (Storper, 1997), it is worth detailing the common propositions apparent in the literature on learning regions. First, globalization is actually held to be associated with the emergence of new forms of agglomeration based around knowledge creation (Storper, 1997). In a world where increasing efforts are made to codify knowledge and render it ubiquitous or cosmopolitan (Maskell *et al.*, 1998; Storper, 1997), those places that become the repositories for tacit, specialized local knowledges can derive considerable advantages.

Second, there is claimed to be an increasing tendency for these non-material advantages, rooted in sets of social relations between firms and institutions, to be located at the regional rather than the national level (although different authors emphasize different scales). A key departure from the earlier industrial districts debate is that such 'relational assets' or 'untraded interdependencies' are seen as key sources of learning (Storper, 1995a; 1997) which enable certain regions to respond and adapt effectively to changes in the external market environment.

A third feature is that tendencies towards agglomeration in learning regions are associated with increased sectoral specialization (Malmberg and Maskell, 1997). The increased importance of knowledge as a source of competitive advantage is likely to increase the tendencies for clusters of specialist and related industries to develop in particular places. The importance of 'being there' (Gertler, 1995a), in the form of geographical proximity to related firms and industries, is likely to be strengthened because of the need to access tacit knowledges within everyday production processes. This proposition rests upon an important distinction between *tacit and codified forms of knowledge* (Maskell *et al*., 1998).

►*What is the difference between tacit and codified forms of knowledge?*

While codified knowledge can be easily traded or communicated through markets and hierarchies and can in principle become universally available whereas *tacit knowledge* is much 'stickier', being embedded in production practices and the 'know-how' of particular firms and workers. The key claim made by advocates of the 'learning region' is that the increased emphasis on tacit knowledge makes spatial proximity between associated producers more important since this form of non-codified knowledge is best transmitted and developed through close interpersonal and inter firm relations (Cooke and Morgan, 1998).

A fourth point is the emphasis that is placed upon the importance of *collective learning* processes in stimulating agglomeration. The concept of collective learning needs to be differentiated from simple learning that involves bilateral cooperation (Capello, 1999). It is referring to cumulative learning processes that take place over time among a community of firms in a locality. These learning processes require a degree of continuity and stability in inter firm relations which is likely to be facilitated by spatial proximity (Maskell *et al*., 1998). As collective learning processes develop, information about knowledge creation becomes a 'public good' (Capello, 1999) in the sense that innovations become available to the universe of firms within a network and not just to those who generate the original ideas.

Localized forms of collective learning can only be sustained over time if firms continue to participate in this open exchange of knowledge and ideas. There are strong incentives encouraging such participation, particularly for smaller firms which generally lack the knowledge and scale economies of larger firms. In particular, it is argued that innovation can be seen as a process of collective learning where complementary forms of knowledge are combined. Lawson and Lorenz (1999) contend that innovation often involves specialists bringing together different tacit knowledges to create new forms of knowledge greater than the sum of the constituent parts.

Nonaka and Takeuchi (1995), they emphasize the importance of 'the key epistemological moment [when] actors seek to make explicit ideas and notions about new products and techniques that, until then, had amounted to hunches or rough intuitions. It is important to focus upon the collective nature of the process. The open exchange of ideas . . . serves to stimulate thought and . . . generates a level of creative thinking that solitary reflection rarely achieves' (Lawson and Lorenz, 1999: 312).

what is the tool to sustain collective learning b/n firms?

The establishment of trust between actors/firms is considered to be *critical to collective learning activities* (Lorenz, 1996). Such relations of trust extend beyond the dynamics of individual optimization which form the basis of neoclassical conceptions of economic exchange (Maskell *et al*., 1998). Firms within high-trust business networks benefit from the reciprocal exchange of information and knowledge, but at the same time are bound by 'strong ties' of obligation which regulate behaviour and prevent 'malfeasance' (Granovetter, 1985).

In this way, trust is conceptualized as a key form of ‘glue’ which binds networks together and sustains firms’ involvement in processes of collective learning. An important implicit claim in the learning region literature is once again that geographical proximity between associated firms and producers is more likely to generate such high levels of trust than more dispersed relations. Yet, while this emphasis on trust reflects the growing importance of inter firm networks as sources of learning and competitive advantage; it fails to adequately consider the difficulties of participation in such collaborative networks within a capitalist economic system based upon private control of the means of production (Jessop, 2000). In view of this fundamental structural constraint, the literature on learning regions would seem to underplay the problems of building and sustaining trust in the face of competitive pressures which might lead firms to seek to appropriate network assets for their own private benefit.

►*What type of regions can be benefited from knowledge economy?*

At the level of policy, it is argued that the learning region concept can be applied to less favoured regions as well as more advanced ones (Florida, 1995b; Morgan, 1997). Incremental notions of innovation suggest that branch plant and low technology regions will also be repositories of forms of practical know-how that have the potential to provide localized competitive advantage. The emphasis on knowledge implies that economic under-development is not just about dependency relations within national and international divisions of labour but also reflects poor learning characteristics that are internal to regions themselves. To an extent, traditional regional development arguments have been turned on their head, so that the debate is less about the longer-term impact of transnational corporations than on the capacities of regions themselves to ‘learn’ from these corporations (Morgan, 1997). It is argued that the task for less favoured regions is to develop better learning capabilities, predicated upon their collective ability to develop more reflexive ‘rationalities of action’ (Amin, 1999).

In general, the argument that learning and knowledge creation are imperatives for all firms and regions is widely accepted, and strong claims are made about the relevance of learning concepts for less favoured regions (Morgan, 1997).

Unit Four: Policies and Strategies of Regional Development

Section One: An Over View Of Regional Development Policy

1.1 Changing Paradigms of Regional Development Policy

Nowadays, regional development policies have been undergoing a shift in 'paradigm'. It is argued that there has been a fundamental change in all aspects of how regional development is conceptualized and how regional policy is conceived and delivered. This shift begins with the theoretical underpinnings of regional development and the factors that are considered to explain the geography and economy of development. It proceeds through the aims, objectives, sphere of action and mode of operation of policy, and is evident in the changing organization of how policy is developed, managed, delivered and evaluated. However, the shift is by no means universal; not everyone subscribes to the new theories of regional development. Nor is it complete; in many countries and regions, the shift in policy is partial and may turn out to be transient.

The central pre-occupation of regional policy makers at this time was regional convergence – reducing economic disparities between regions, especially core- periphery differences. Conceptually, regional policies were based on traditional theories of regional development. The common characteristic of these theories was that they were concerned with explaining variations in the location of economic activity with reference to the attributes of regions or urban areas, such as the cost of land, transportation costs, market size and the availability of workers. Policies to reduce disparities were, therefore, generally developed to influence these factors e.g. reducing investment or employment costs, subsidizing transport costs, providing cheap land and premises in the problem areas, while (in some cases) increasing the costs of development in the core or congested areas.

What were the major issues of concerns of regional development policy?

The major issues of concern to regional policy makers were primarily underdevelopment and depopulation in rural areas. In addition, regional policy also attempted to address problems of geographically concentrated unemployment ("keeping the peace in the face of economic rationalization").The main policy objective was equity, equalizing variations in standards of living, infrastructure or employment across the national territory. Problem areas were designated on the basis of administrative or data collection units generally suffering from slow economic growth, low incomes and high unemployment. In these regions, policy instruments comprised four main types: financial incentives in the form of grants, loans, tax concessions, depreciation allowances, employment premia, removal cost allowances, transport subsidies, labour-training aids and rent subsidies; infrastructure investment, especially in rural and sparsely populated areas; the use of investment targets or other social obligations on the part of state-owned or state-controlled industries; and the diversion of development from congested areas through *development controls on manufacturing industry or the relocation of private and* public sector offices. A particular focus in some countries was on growth centers, serving as a focus for geographic concentrations of public investment and stimulation of growth opportunities which would then spread to the surrounding areas.

► *What were some of the issues emerged in regional policy during the 1980s?*

During the 1980s regional development policy moved against active government intervention, especially through subsidies to firms. First, the policy focus shifted towards privatization, deregulation and the liberalization of markets. In a number of countries, the effectiveness of regional policy was questioned and criticized. Regional policy moved progressively downgrading the policy goals of reducing disparities and promoting regional convergence. Policy took on more limited objectives, focusing in some countries on the maintenance of settlement structures in sparsely-populated areas, in others on attempting to ameliorate the economic and social consequences of job losses in those regions suffering the highest levels of unemployment and, in a few, on the attraction of inward investment to the problem regions.

Second, the 'retreat' of central government from active regional and industrial policies was accompanied by the rise of a new regional and local dimension to economic development. This was partly attributable to regional institution-building which accompanied the increasing delegation of authority for certain economic development activities with a view to enhancing local identification with policies and increasing local responsibility for economic development. The trend was also due to a growth in 'bottom up' initiatives, as local authorities and other groups began to develop and implement their own measures to deal with growing economic and social problems. Third, regional policy thinking was shifting towards the promotion of endogenous development with a (re)discovery of the importance of entrepreneurship and small and medium enterprises. Moreover, technology was increasingly seen as decisive factor for growth and prosperity.

Fourth, from the mid-1980s onwards, new concepts of regional development began to be evident. The competitiveness of economies was increasingly attributed to the ability to innovate, particularly within the context of environments that facilitated learning, interaction and networking between enterprises. Technological & organizational changes were altering the way in which firms organized their activities, both internally and with suppliers and customers. The progressive removal of trade barriers and other constraints on the free movement of labour and capital was leading to an accelerated internationalization of economic activity through foreign investment, trade and inter firm links, such as acquisitions and mergers.

In this context, new theories of regional development came to the fore, especially those concerned with industrial milieux and the role of clusters and networks. It was recognized that competitive advantage increasingly implied the ability and capacity of regions to facilitate the generation, acquisition, control and application of knowledge & information, in the interests of innovation and marketing. The spatial interrelationships between organizations, for example, participation in information and research networks, supply chains, SME collaboration & government-industry links were recognized as critical.

These dynamics necessitated the development of a more sophisticated approach to improving both regional capabilities and attributes with measures that are socio-cultural as well as economic. A new type of regional policy concerned with the strategic management of regional development is termed as *'contemporary regional policy'*. Dear learner,

►*What are the characteristics of the contemporary regional policy*?

Well, some of the characteristics of contemporary regional policy include the following. First, they have a broad sphere of action, covering a range of policy sectors: physical and economic infrastructure, business development, human resources, tourism, environment etc. Second, the national policy versions tend to encompass economic development in all regions, not just those designated for regional policy purposes. Third, they tend to take a pro-active approach to development, with a multi-annual programme of measures targeted at the business environment & soft infrastructures. Lastly, they have a distinctive approach to policy implementation, led by regional authorities and involving a wide range of partners from local government, voluntary sectors, business and social communities.

Table 1: Summary the changing paradigm of regional policy

S.N	Criteria	Classical	Modern
1	Conceptual basis	Industrial location theories Key factors are regional attributes - production costs, availability of workers	Learning region theories, key factors are regional capabilities e.g. Innovation milieux , clusters and networks
2	Policy characterics		
	Aims	Equity or efficiency	Equity and efficiency
	Objectives	►Employment creations ►Increasing investment	Increase competitiveness-entrepreneurship, innovations
	Spheres of action	Narrow/industrial	Broad –multisectorial
	Mode of operation	Reactive-project based	Pro-active, planed, strategic
3	Policy structures		
	Spatial focus	Problem areas	All regions and localities
	Analytical base	Designation indicators Regional exporting	Regional SWOT analyses
	Key instrument	Incentive scheme	Development programme
	Assistance	Business aid Hard infrastructures	Business environment Soft infrastructures
4	Organizations		
	Policy development	Top down/centralized	Collective, negotiated
	Lead organizations	Central government	Regional authorities
	Partners	None	Local government, voluntary sectors and social partners
	Administration	Simple/rational	Complex/ bureaucratic
	Project selection	Internalized	participative
	Time scale	Open ended	Multi-annual planning periods
5	Evaluation		
	Stage/s	Ex-post	Ex ante, interim, and ex-post
	Outcomes	Measurable	Difficult to measure

1.2 Objectives of Regional Development Policies

The followings are some of the major objectives of contemporary regional development policies.

A. Promoting Individual and Social Welfare (Criteria)

The ultimate objectives of regional economic policy are the promotion of individual welfare, opportunity, equity and social harmony. It would seem obvious that regional development economic policy should promote higher per-capita income, full employment, wide choice of kinds of work and styles of life for individual, security of income and lessening income inequality among individual.

The aspect of equity raises some difficult questions in connection with the application of these criteria to programs and policies affecting such diverse groups of people as the inhabitants of a region. Any actions such as spending public funds for improved services, subsidizing the establishment of new industries in the region, or imposing restrictive controls on land uses is run to help some people more than others and may well help some at the expense of others. However, there is general agreement, on the guiding principle of the so-called *Pareto optimum*, which says that a change is desirable so long as it helps somebody without hurting anybody else. In practice, some of the benefits conferred on individuals by a change (for example, building a new highway) can be taxed away from these beneficiaries so as to compensate those who otherwise would suffer by the change; and the real question is whether the *Pareto criterion* is satisfied after feasible compensatory transfers of this sort have been made. Thus, it is true that, this guiding principle is much easier to advocate than to apply.

The very essence of a region is interdependence of activities and interests, and these interactions become particularly crucial in a high-density urban region within a city or neighborhood. Any change in one activity produces externalities and neighborhood effects on a variety of other activities, and these effects can be either helpful or harmful. Thus, an important *task for regional economists is to devise ways of "internalizing" the externalities involved in regional changes*.

B. Promoting Regional Economic Growth

Dear student, the fore mentioned economic objectives and policies apply for the welfare of a group of people. But a region is not, a definite group of people—it is an area populated by a changing group of people. In any region of consequence, every day sees some new arrivals (by birth or migration) and some departures. This continual turnover of a region's population complicates the question of regional policy goals.

The welfare of the present inhabitants of the region, regardless of where they may be in ten years' time? The welfare of those who will be living in the region ten years hence, regardless of where they are now? Should it be counted as a regional gain if some people move in whose incomes are above the regional average, so that the average rises with their advent? If so, should one of the aims of regional policy be the out-migration of its poorer inhabitants? Is a region improved if its population and total income increase at equal rates, with per capita income unchanged? Thus, the rational objective for a region's development depends on where we sit. In addition to differences of interest among groups within a region, there is an important difference between the optimum for any single region and the optimum pattern of regional growth rates in relation to national welfare.

Any programs and regional policies are expected to expand the regional economy in terms of aggregate income and employment and achieving rapid regional growth.

C. The aim of giving everyone equal access to employment opportunities, community services and a healthy environment, irrespective of their location. In addition, policy had the goal of sustaining a balance between regions in terms of population and employment.

D. The purpose of policy in the 1960s and 1970s was to promote equality between the regions with regard to economic and social welfares.

2.2.3 How National Policy Help Regional Development: Regional Objectives in a National Setting

it is important to recognize that regions are not self-contained or independent of one another. Thus, a true concern of regional policy calls for a good understanding of the various forms of regional ties and framing policy goals on a multiregional or national basis.

A. National High-Employment Policy and Regional Economic Adjustment

Dear students, it is difficult to expect any satisfactory solution to the problem of regional unemployment or arrested development except in the context of a prosperous national economy. In a depression period, businesses are doing relatively little capacity expansion and have little difficulty in finding locally the necessary labor, services, and space for such expansion as they want to undertake. Their investment is more likely to take the form of cost-cutting improvements in existing plants, and this may well involve closing down some branch facilities at the more marginal locations. Moreover, in slack times, the surplus manpower in any area has literally nowhere to go and fewer resources to go anywhere; we cannot look to labor migration for any significantly useful adjustment.

The national monetary and fiscal authorities have great powers to increase the nation's money supply and disposable income and thus to stimulate spending and investment in the aggregate. Such action helps to maintain the necessary buoyant climate in which constructive regional adjustments by people and industries can occur.

B. Efficiency, Equity and Structural Unemployment

Some people feel that maintaining a high level of employment and demand in the economy is as much as the national government should do in regard to regional economies. However, there are two distinct arguments for other and more specifically, region-oriented national policies and programs.

The first argument calls upon the criterion of *efficiency,* claiming that there are other ways *besides fiscal and monetary policy* for facilitating effective allocation of resources among regions and the necessary dynamic adjustments. The efficiency argument rests largely on the idea of "structural unemployment." This type of unemployment comes about because there are wide disparities in the employability of different groups in the labor force. There are poor matching between the kinds of labor that are in demand and those that are available and there is insufficient mobility and interchangeability within the labor force. This makes shortages, rising costs and consequently inflation inevitable, while millions of the less employable are still out of work. Obviously, any policies that will reduce these wide disparities and make manpower more mobile and interchangeable will have the good effect of shifting the inflationary brink closer to the ideal of full employment.

Therefore, there is a strong opt for public programs involving education and worker training and retraining, and for more direct aids to spatial and occupational mobility: for example, improved information about job opportunities, assistance to migrants, and removal of racial and other discrimination in employment. It is also clear that such efforts ought to focus on upgrading the least advantaged types of workers and reducing their competitive handicaps. Such emphasis is, of course, in accord with equity objectives as well. The second argument is based on *equity,* claiming that the national government has a responsibility for helping disadvantaged regions through provisions of subsides and grants.

C. Helping Regions and Helping People

do you support "place prosperity" or "people prosperity."?

It is persuasive to argue that if public policy should specifically help the less-advantaged classes of people to find jobs, then it should by the same token seek to support the prosperity and growth of all communities. Such a view has been pertinently characterized as substituting *"place prosperity"* for the more fundamental objective of *"people prosperity."*. The place prosperity doctrine represents merely false analogy: an unreasoning assumption that whatever is true of individuals must also apply to areas. On a more rational level, it is possible to suggest place prosperity as a pragmatic *proxy* for the ultimate ideal of people prosperity—on the hypothesis that the best way to help a person is to promote the overall prosperity of the area in which he or she happens to live.

► *What are the short comings of the doctrine of the place prosperity?*

Critics present two major limitations of the doctrine of the place prosperity. The first lies in ignoring the fact that a region does not correspond, for any length of time, to a fixed set of people. Since people have some mobility, the best way to help disadvantaged people who are living in a particular region may be to encourage them to move. Accordingly, they argue that migration can serve both the objective of efficient use of resources and the objective of interpersonal equity and distribution of opportunity.

A second criticism of the place prosperity approach is that in practice it is wastefully nonselective in its assistance. In any community or region where there are unemployed and needy people, there are also employed and prosperous people. Increased employment and income for the area as a whole may help those who need it most; but a large part of its local benefits will come to those who do not need it. Those surest to benefit, are generally property owners and the operators of established locally oriented business, such as utilities, banks, and commercial and consumer service firms. Growth of aggregate area income and employment does not automatically mean improvement in per-capita income or the reduction of unemployment and thus, it generally injures some while helping others. They conclude that such considerations suggest that attacking human hardship and lack of opportunity, *solely through place prosperity*, might be like using *a shotgun to kill flies.*

D. Regional Rivalry and the National Interest

The benefits of growth in a region are directly and strongly felt by certain influential interest groups while the costs are likely to be more diffused and less well perceived. Consequently, most regions devote some effort to furthering their own economic growth by attracting additional activities. Like other forms of competitive promotion and warfare, regional rivalry contributing nothing to the national welfare as one region's gain is another's loss. That is, it can be in large part self-defeating or a "zero-sum game". This is especially more likely when the regions are small and when the primary weapons are persuasion and subsidy. Resources such as capital and labor that are drawn to one area cannot be used in production elsewhere, and from a national perspective there is no net gain, unless the productivity of those resources is higher in the receiving region. From this perspective, the nation's rate of growth is analogous to a pie.

However, regional growth may be *generative* rather than *competitive.* In this more positive light, efficiency gains in each region may promote national prosperity. Harry Richardson argues that it is possible for national growth to be increased by faster regional growth and it is possible for regional growth performance to be improved without additional resource inputs. Agglomeration economies and spatial clustering of activities may induce more output than if production is dispersed. Growth-inducing innovation may be adopted by local entrepreneurs, even though they were first introduced outside the region. A change in settlement pattern (a more efficient regional urban hierarchy) or a reorganization of the intra-regional transportation system may improve productive efficiency and promote faster growth. Thus, enlightened local efforts to enhance a region's growth potential can result in significant net benefits. Then, dear students,

► *What forms of local efforts are important to promote region's growth potential?*

The progressive local efforts to enhance regional growth and development may take various forms. These include: -

- Protecting and improving amenities,
- Stimulating entrepreneurship and innovation,
- Fostering cooperation among various business, social, and political elements, and
- Discovering the true comparative advantages of the region for further development.

Dear students, it has to be noted that all these efforts favor better utilization of resources and are clearly in both the national and the regional interests. Therefore, a *logical national policy* with regard to regional development should include some efforts to channel the growth urge/support of regions into these constructive paths.

What are the adverse effects of regional rivalry in development?

Note that regional rivalry in development can be something *worse* than a zero-sum game if it distorts the efficient allocation of resources. This danger is inherent in the use of local subsidies and most of all with respect to the use or abuse of natural resources and the neglect of externalities.

Competitive regional and urban development is clearly suboptimal. They may involve regions in a competitive race to offer up for private exploitation of their air and water quality. The resulting resource deterioration involves transfer of income from local residents to business firms. Competitive tax concessions to attract development may also result in relative weakening of the public sector. Competitive regional development may involve serious external diseconomies resulting from failure to treat environmental units, such as river basins, as planning units.

Generally speaking, national policy in terms of the development of specific regions can help to achieve more efficient use of natural resources as well as to reduce regional unemployment and broaden human opportunity.

2.3 Regional Pathology: The Emergence of "Problem Areas"

What does regional pathology mean? Can you define it?

Giving attention to regional pathology are both politically and economically rational. Regional economic growth is not a smooth and straightforward process. The persistence of efforts to explain development in terms of successive "stages" can be evidence of the existence of important discontinuities. The development of a region, like that of a nation, encounters from time to time crucial situations in which its future course can be significantly influenced by major planning decisions and policies. Alternative paths appear; one of the alternatives may be a further growth along some new line, and the other may be stagnation, arrested development, or even regression.

"Problem regions" are of several different types, including (1) backward areas halted at the threshold of self-sustaining development; (2) already developed areas with arrested growth due to loss of competitive advantage in their basic activities or obsolescence in those activities as such, with accompanying loss of ability to substitute new kinds of activities; and (3) areas of excessive growth or excessive concentration.

On the basis of various factors, we can categories problem areas in to four regions. These are backward regions, developed regions in recession and regions with excessive growth and concentration. Let us further considers these problem regions in a more detail.

2.3.1 Backward Regions

What are Backward Regions? What are some of its underlying its features?

A familiar type of problem areas is that of the backward regions poised on the threshold of industrialization and threatened by overpopulation. Much effort has gone into defining the conditions necessary for a successful surmounting of the threshold, the so-called "takeoff in to self-sustaining growth" process. Almost all countries in the third world have many backward regions with the above features. For instance, in Ethiopia the newly emerging regions of Benshangul gumez, Afar, Gambella and Somali fall within this category. Most of the advanced countries have one or more backward regions, which seem to be fall up at a threshold on the road of development and not to have kept pace with the structural changes and the rising income and opportunity levels of the more fortunate regions of the country. For instance, Appalachia region in the United States is characterized by rural poverty. In Canada, the extreme eastern part of the country is regarded as the chief area of concern of this type; in Italy, it is roughly the southern half of the country *(Mezzogiorno) and* in Sweden, the far north regions.

2.3.2 Developed Regions in Recession

A second and quite different type of problem area is the mature industrialized urban region afflicted by stagnation. In Britain, the industrial areas of southern Scotland and Wales and northern England entered this phase in the 1920s. In the United States, at about the same time, migration of the textile industry to the South laid heavy disfigurement on the industrialized region of southern New England, and real rejuvenation with new industries did not set in for more than twenty years. In the Pittsburgh region, slow growth or decline in the leading industries caused fears of stagnation and regression that gave rise to a major community effort to reverse the trend after World War II. Dear students,

what are the symptoms of developed regions in recession?

The characteristics of this particular region are easily recognizable. The ailing region's rate of growth has been increasingly subnormal for many decades. Unemployment is high and chronic and out-migration is heavy. The area appears to have somehow lost the dynamic growth character that had brought it to its peak importance in days gone by. There is a feeling that unless something really decisive happens, stagnation will prevail indefinitely.

It is believed that in most cases such a situation can arise in a region whose economy is heavily based on a few activities that have ceased to grow or have begun to decline. They are the activities of yesterday & today but not those of tomorrow. But arrested growth in a region may also mean simply that the factors of interregional competition, in specific activities, have taken a trend adverse to that particular region. The region's difficulties are compounded if both of the above conditions apply, so that it finds itself with shrinking shares of declining activities.

in diagnosing the ills of such a region, it is not enough to determine the extent to which it is losing ground to other areas in major activities, or the extent to which its activities are no longer of the growth-industry type. After all, we could hardly expect that every activity would continue to grow forever, or that any given region could forever retain or increase its relative position in its principal activities. A healthy regional economy can absorb losses in its stride and shift its resources into new fields, getting a share of the emerging new rapid-growth activities to balance the inevitable decline of other activities.

When trying to determine the proper role of federal and local policies in regional development it is important to keep this in mind. Change is a necessary aspect of growth, and it is as inevitable that some regions will prosper and others will not as it is that some individuals will fare better than others. Nevertheless, when change affects broad areas of the country—as is presently the case in the United States—large numbers of people are involved and the political pressure for a response to related problems may become intense.

However, all affected regions are not equally in need. For some, the basis for rejuvenation may have been established well before decline becomes evident, and the proper role of policy may be limited to easing the transition. Other regions fail to make such adjustment successfully, and we must ask why. Perhaps it is simply because the degree of specialization in nongrowing activities was so intense. Perhaps it is because the loss of competitive advantage in some important activities has been so drastic. Or perhaps it is because the region has developed a sort of economic arthritis that inhibits its ability to adjust to rapidly changing conditions. Whether regional analysts operate as full-fledged physicians ministering to the economic ills of sick regions, or more narrowly as diagnosticians, they have a special concern for cases in which the patient seems deficient in resistance to infection and in ability to recover. Therefore, we have to look beyond the immediate symptoms to the less obvious organic difficulties.

2.3.3 Excessive Growth and Concentration

What are the symptoms of regions with excessive growth & concentration*?*

it is worthwhile to note that a basic symptom of both types of problem regions discussed so far is that employment opportunities haven't developed (in amount, in variety, or in both) fast enough to keep pace with the size and aptitudes of the labor force and resources are underutilized. In contrast, the opposite situation prevails in regions that undergo extremely rapid growth involving massive inward migration. The growing pains of such regions are felt as impairment of the quality of services, destruction of local resources and amenities through overuse, a high rate of obsolescence of facilities, neighborhoods, and institutions and a general deterioration of the quality of life. The forestalling or mitigation of these effects through analytical foresight and advance planning poses a major challenge to regional specialists.

The most widespread and obvious present-day examples of the perils of too rapid development appear in two types of areas. One is the suburban fringe of metropolitan areas, where many factors have combined to produce sudden and often unforeseen growth. The other type of area comprises zones of special recreational amenity such as beaches. The growth of population plus its increased mobility, leisure and taste for outdoor pleasures add up to a formidable threat to our basically non-expansible resources of open space, clean water and privacy. This problem obviously involves much more than temporary "growing pains." the pressures of interest groups in a community or region lend themselves to overemphasis on growth , all too often at the expense of well-being.

The problem of excessive spatial concentration of development, specifically in gigantic metropolitan centers is related to but distinct from the question of too rapid growth. Concern on this score is felt in nearly every country. In the less developed countries, the problem is seen as exclusive concentration of modern industrial development, business and population in the chief city. In France and England, the concentration of growth in Paris and London has been officially deplored, and attempts have been made to combat associated problems for a generation or more.

Large cities have been variously assailed as hotbeds of vice, breeders of psychological and political disorder and hazards to health and safety; and they have been extolled for equally diverse virtues. With respect to economic criteria, it is often argued that the rising costs of housing, public services and similar items make large cities uneconomical as places to produce or to live. These diseconomies of size are said to outweigh, in very large cities, the positive advantages of urban agglomeration that we discussed earlier.

There are difficulties with this approach, however, in that expenditures reflect differences in the quantity and quality of services provided as well as costs. Thus, persons in large cities (where, we expect to find higher real income per capita) may have demands for public services that are different from those of persons in smaller cities and this will affect per capita expenditures.

John L. Gardner has undertaken an analysis of municipal expenditures that accounts for variation in income and wealth across cities. For a wide range of expenditure categories, he finds that costs per family increase with city size. However, Gardner also finds that costs typically decline as population density increases. Thus, it may be misleading to concentrate on size alone; the efficiency of cities appears to depend on population size and density jointly.

In any event, costs of public services are only one element in the comparative economic advantages of different sizes of cities. A more accurate approach to this problem would recognize that the activity of cities includes the production and consumption of private as well as publicly provided goods and services. In order to make valid comparisons, one must account for the incremental benefits and costs associated with each as city size increases.

Many regional economists see hidden disadvantages in very large cities, justifying a public policy of diverting growth from such cities to medium-sized ones. They argue that there are important *external diseconomies* (such as added costs of housing, congestion and environmental spoilage) that do not enter into the calculations of the firms or individuals who contribute to city size by establishing themselves there—in other words, these costs should, but do not, work to limit urban growth. For example, an additional urban freeway commuter adds to congestion and causes losses to all the other commuters whom he slows up, but he does not have to pay for the added costs inflicted on the others and is not deterred from rising the freeway.

But their existence does not necessarily imply a net bias toward excessive city size, as is frequently alleged. First, the usual argument assumes too readily that the external diseconomies of large city size outweigh the external economies; however, , the economies associated with urbanization may be substantial. Further, it implicitly assumes that the adverse externalities fall on parties that have no recourse—that is, they are "locked in" and can neither leave the city nor raise the price of their services in order to compensate themselves for the injuries suffered.

By and large, this assumption is unwarranted. Individuals and firms subjected to such external diseconomies as air pollution, traffic delays, long commuting journeys, high taxes, expensive housing, or noise can (and do) decide that they will not stay in such an environment unless they are paid extra to do so. Urban populations are characteristically mobile, and pay rates do run higher in large metropolitan areas than elsewhere, as we saw in Chapter 10. This suggests that at least some of the disutilities that urban life imposes on the individual are being passed back to employers in the form of higher wage costs. The effect of the cost increases on prices is undoubtedly greater for local goods and services than for those traded between cities, since prices tend to be set in the national market for traded goods and services; nevertheless, location decisions will be affected.

The market forces set in motion by compensatory payments to labor for urban disamenities may not fully offset the tendency for cities to become "too big," but they certainly work to counteract that tendency. The extent of this offset will depend on the reaction of affected parties to externalities. If workers are immobile (or, more generally, if location-fixed resources are affected by externalities), they may not be compensated for urban disamenities. Similarly, if producers of traded goods lack mobility and also are limited in their ability to pass compensatory payments along to customers in the form of higher prices, the market adjustment to externalities will be incomplete. Thus, the greater the mobility of workers and producers, the more we can expect that diseconomies will be internal to the city as a whole in that they fall on firms and households whose decisions affect city size. This does not imply that we may dismiss concern about adverse externalities as such, or concern about the many serious problems attending urban growth, which do in fact tend to be most aggravated in very large cities

2.3.4 Comparison of Characteristics of Problem Areas

The emergence of problem areas, so far discussed, is indicative of the dramatic changes in our attitudes towards regional development. In the past, problems areas were categorized on the basis of high income, fast growth. Others considered a problem category on the basis of *unemployment, with no emphasis on* the environmental impact, destruction of amenities and deterioration of the quality of living, which are recently considered as the major penalties of excessive growth. A substantial number of cases of fairly severe unemployment do occur from time to time in basically flourishing labor markets. Often these are transitory situations reflecting cutbacks in federal defense-contract employment in the area, and in some cases the unemployment is mainly seasonal; but it may be more chronic in areas that attract large numbers of migrants by their amenities.

2.3.5 Regional Structure and Economic Health

Both a region’s growth and the quality of opportunity it offers depend on external influences and location and also to a large extent on the mix of activities that the region has. Some of the relationships are simple and obvious, others less so. It is possible to separate statistically in any time interval the component of a region's growth that reflects the activity-mix of the region from those components that reflect overall national growth rates and changes in the region's competitive position. Other things being equal, a region will grow faster *if it specializes in "growth industries,"* just as it will tend to have a low wage level if it specializes in low-wage activities or a high skill level if it specializes in high-skill activities. But *shift-share analysis* does not really tell us much about why regions grow or improve. It says nothing about the important question of how a region's ability to hold its share of existing activities or to attract new ones is affected by *the region's economic structure*.

Regional economic balance or diversification has been viewed as a "healthy" structural feature worth striving for a long time. Thus, it is sometimes assumed that a region with a diversified structure (many different kinds of activities and an absence of strong specialization) is necessarily less vulnerable to cyclical swings of general business conditions and demand.

Diversification per se is roughly neutral in its effect on cyclical stability. What really makes a region especially vulnerable to cyclical swing (move forward and backward) is specialization in cyclically sensitive activities (mainly, durable goods industries and especially those making producers' equipment and construction materials and components). Thus, a specialized steel-making center such as Youngstown naturally has greater cyclical ups and downs of employment than either tobacco-processing centers such as Winston-Salem or Durham or a broadly diversified manufacturing center such as Philadelphia. Analogously, a community or region highly specialized in seasonal recreation (such as Virginia Beach or the coast of Maine) shows much more seasonal variation in employment than the average area, while a region specialized in some non-seasonal activity may be more seasonally stable than the average

However, when we consider stability and other desirable attributes over a longer period, It is a different story. In time, any of a region's activities will suffer arrested growth and perhaps decline or even extinction, either because the product itself becomes obsolete or because the region loses out competitively. If a region is narrowly specialized, such a loss can be, at least temporarily, disastrous; in a diversified region, it is unlikely that a major proportion of the total activity will suffer at any one time. Equally significant is the fact that a narrowly specialized region is likely to show less *resilience/flexibility* in recovering its stride by developing new activities to take the place of those lost.

This attribute of resilience is an extremely important aspect of regional economic health. It depends to a large extent on diversification, since diversity of employment develops a wide variety of skills and interests in the labor force and also among business entrepreneurs, bankers, and investors, and a wider array of supporting local business services and institutions. In such a setting, there is clearly a better chance for new kinds of business to get a start and to survive the hazardous years of infancy.

Diversity is not the only factor affecting resilience. The inhibiting effects of high specialization are compounded if the region is specialized in activities characterized by large producing units, large firms, and absentee ownership. Such large units are relatively self-sufficient with respect to most kinds of business services that smaller units tend to buy from others; consequently, a region heavily specialized in, say, steel making fails to develop a broad base of such supporting services. In addition, its business leaders and sources of local finance have a more restricted outlook and interest. The range of local external economies is underdeveloped, and the whole climate for new and small businesses and new lines of activity is much less favorable than it is likely to be in a region of similar size where the firms and production units are smaller, more numerous, and less self-contained.

Finally, a region's resilience partly depends on the amount of overall growth momentum. it has at the time the loss is experienced. If the rest of the region's activities are growing vigorously, even a sizable loss may produce only a short spell of abnormal unemployment. Fluctuations from a sharply rising trend may not involve much absolute decline; distress is most meaningfully measured in terms of how long and how far the region's employment is below the previous peak, rather than how long and how far it is below a trend line. Moreover, a region that has been growing rapidly has a number of characteristics favoring resilience. The labor force is relatively young because much of it has been recruited through recent migration and young adults move the most readily. Thus, the labor force is likely to be more occupationally mobile and adaptable, and less afflicted by seniority and tradition. The same applies to employers. Facilities are newer. A greater proportion of the population has had the broadening experience of living in other places. There is a more buoyant community climate of expectation of growth and favorable change.

2.4 The Available Tools

Before any actions to improve the situations of problem regions needs to understand the characteristics of the different problem areas and the possible solutions forwarded should also take in to account the variations in the nature of problem regions.

what appropriate means exist for influencing development in desire directions and how they can be used most efficiently?

Even thought, a region can influence its structure and development from within a national government can do a great many things to assist healthy regional adjustment and development, even without having to make any decisions as to which regions should be favored or why. In general, such assistance involves the provision of information and the improvement of the quality and mobility of productive resources including labor, capital and land. Aid to education and vocational training, improvement of communications and money markets, preparation and distribution of statistical and technical information, improved labor market information and placement services, and a wide variety of other programs help to reduce the structural underutilization of labor and other resources in all regions. Moreover, maintenance of a high national level of demand makes it easier for labor and capital to find their most productive uses.

Nowadays, many national governments take the important additional step of designating certain regions for special attention. In a few special cases, the purpose is to restrict further private development in an area judged to be overcrowded. Much more often, the immediate purpose is to increase employment and income in a backward or otherwise "distressed" area. Let us have a quick look at some of the means that can be used for such ends.

One line of action involves easing the supply of capital to encourage growth of employment in problem regions. Accordingly, federal states and local funds are made available at low interest rates, generally on a matching basis, to establish or expand business facilities in problem areas. A wide variety of tax exemptions and incentives (such as deferment of taxes, allowance of larger write-offs against income before taxation, and special low assessments on real property taxes) further encourage private investors. Public authorities (often working through local development associations) also encourage business expansion in certain areas by direct investment involving the purchase and assembly of land, clearing of sites, and construction and operation of "industrial parks" provided with all the necessary utilities and sometimes with buildings that can be adapted or leased by private firms. In the contrasting case of areas in which development is to be restrained, public policy is implemented by imposing restrictions on further private investment or land use.

Another policy option involves transport costs and services and the construction or licensing of new routes. In regulatory decisions on freight rates, the regional effects are given some weight and the regions that stand to gain or lose by the decision often mobilize impressive and costly efforts to protect their interests. More recently, many cities along inland waterways have been involved in efforts to attract federal assistance for the rebuilding and upgrading of locks and dams. They have also fought hard to promote the continuation of pricing policies that shift the maintenance costs of these facilities to the general public by avoiding the imposition of user charges.

Another tool is the regional allocation of procurement contracts (particularly the defense contracts of the federal government). The procurement agencies themselves are not particularly interested in conferring regional stimuli except as a way of pleasing influential congressmen; but they have been adjured to follow policies of greater decentralization, or of preference to areas of high unemployment. A region especially can sometimes effectively increase the demand for some of its products by sales promotion in outside markets or protective measures designed to restrict imports, and some states have been quite ingenious in setting up interstate trade barriers for certain commodities, such as milk.

A region can sometimes be effectively aided in development by subsidized technological progress or technical assistance leading to more efficient and profitable ways of using some special regional resource. Thus, federally supported research on new uses for coal may play a significant part in improving the economic status of Appalachia. In such types of research and development efforts, the state governments, universities, and private foundations in the region are generally active as well.

A region’s development can also be guided along more effective lines through support of general analysis of the region’s economic situation and potentialities and through the formulation of integrated development plans. Modest but significant amounts of federal funds and technical assistance have been made available for planning activity and demonstration projects. Allocation of federal funds to improve local public services and utilities has been a substantial element in regional assistance, particularly in backward regions. This includes, in addition to schools, health services, and roads, the construction of water supply and sewerage facilities, libraries and some kinds of recreation facilities.

Finally, and probably the most important tool are programs to upgrade and mobilize human resources through education, vocational training and retraining, easing of ethnic discrimination and other kinds of restrictions on employment, and assistance in job finding and relocation in search of employment opportunity. Such programs were mentioned earlier as being in the national interest in all areas; but the need for them is obviously greater in regions where skills and mobility are particularly restricted and where there is a particularly poor match between labor supply and the demand for labor.

Regional Development Strategies

2.1 Basic Issues of Regional Development Strategy

As soon as a national government assumes responsibility for the geographical impact of its actions, it needs to decide which areas merit its favorable attention. The answer is inevitably determined in part by political pressures, but it is clearly in the national interest to formulate and apply some more objective social and economic rationale.

what are the basic issues of regional development strategy?

Dear student, it is important to bear in mind that, in addition to *place prosperity versus people prosperity,* there are three more strategic issues of regional development strategy. The first is the issue of distress versus development potential: whether we consider aid to regions as charity or as investment. The second basic issue is the *concentration versus diffusion issue*: Should we select areas on the basis of the greatest degree of distress (the "worst-first" rule of priority) or on the basis of how much additional income and employment opportunity can be generated per dollar of aid? A further issue involves the spatial focusing of aid to areas. That is, what size area is a proper "development unit," what is the role of urban focal points within such areas and should aid be concentrated at a few points or widely spread? The third, issue concerns the appropriate choice of means of assistance from among the large variety of available devices

The fourth basic issues of regional development strategy will recur often in the discussion that follows. We shall find that they are closely interrelated and that none of them can be resolved as categorically as the word "versus" might imply.

2.5.2 Place Prosperity versus People Prosperity

what kinds of adjustment must be taken if manpower is scarce in some areas while jobs of similar types are scarce in other areas?

Well, the situation can presumably be improved either by moving some jobs or moving some people or both. Both kinds of adjustment do take place spontaneously, though not by any means to the extent that would be necessary to eliminate or equalize regional structural unemployment. Both can be assisted or impeded to some extent by public policies. The question of which policy should be emphasized is a perennial one and was debated with particular heat several decades ago when the British government was trying to decide what to do about certain depressed industrial areas. It is a crucial question today in every country that is seeking to improve regional adjustment, and it particularly involves the two issues of (1) people versus place prosperity and (2) need versus development potential.

The answer depends on our judgments about the foot looseness of people on the one hand and that of investment and employment opportunity on the other. If we believe that people are reluctant to move, that we should not try to induce them to do so, and that practically any populated area can be made attractive to new employers, then it follows that the proper policy is to induce more employers to move to regions where unemployment is high.

B. Degree of Distress versus Development Potential

Consistent with the above view is an emphasis on degree of distress as the criterion for allocation of assistance to regions, since it is assumed that people have to be helped *in situ* and that every region has adequate development potential. By this approach, place prosperity is equivalent to people prosperity. Finally, this view would imply that assistance should be given to individual small areas and should be widely diffused, since people are assumed to be tied to their labor market areas. To sum up, the elements of this position are: place prosperity, allocation on the basis of need to a large number of quite small areas, and inducements to employers as the principal means of assistance other than straight charity

What is the doctrine of People Prosperity?

People can reasonably be induced to move and that some backward regions lack the potential for eventually self-sustaining growth in employment or that some developed but distressed regions must inevitably shrink in size in order to adjust to new economic conditions, the strategy implications are the people prosperity. We conclude that many of the unemployed people will best be served by moving to some area with better opportunities and we draw a sharp distinction between their welfare (people prosperity) and place prosperity.

In this case, assistance logically takes the form of *improving the employability and mobility of the people affected, facilitating their relocation, and promoting employment opportunities in the areas of greatest potential*. Thus, the elements of this position are people prosperity, stimulation of development on the basis of growth potential and stress on the upgrading of human resources. Job creation does not have to be stimulated on a diffused basis in a large number of individual areas, since people are prepared to move to one of a smaller number of growth centers.

which of the foregoing two positions is more correct?

Clearly, neither is wholly right or wrong, since both people and employment activities are partially footloose. A few observations are in order, however. First, certain emotions and prejudices seem, on balance, to impart bias toward the view first mentioned (namely that job must move to people). Because of local pride as well as vested interest in their community or region, most regional spokesmen are reluctant to admit that their region lacks development potential or to see its population decline. As we noted earlier, most of the active and articulate spokesmen and leaders in regional development are those who do have a vested economic interest there in the form of large property ownership, a business depending on local markets, or a political position whose importance and perquisites depend to some extent on the region’s size and growth. Quite naturally, they are ready to invoke ethical and cultural arguments in support of their economic interests and loyalties.

It is an article of faith among many that people should not have to move in order to better themselves, any more than they should have to change their religion, political affiliation, or skin color. A presidential advisory commission in 1967 endorsed "a national policy designed to give residents of rural America equal opportunity with all other citizens. This must include access to jobs, medical care, housing, education, welfare, and all other public services, without regard to race, religion, *or place of residence.* Reinforcing this bias is a general tendency to overrate the foot looseness of activities with which one is not directly familiar. In particular, the complex and subtle economies of agglomeration that favors major urban areas as locations are not well understood. Moreover, the consideration of efficient interregional allocation of resources and output, from the standpoint of national welfare, has few spokespersons. That faceless individual, the consumer and taxpayer, is here again the forgotten person.

In view of this considerable bias, it is not surprising that official policies and public statements have generally soft-pedaled migration as an instrument of regional policy, have paid a great deal of deference to the place prosperity strategy and the criterion of need and have favored spreading assistance among an increasingly large number of claimant areas rather than concentrating it.

How mobile are people in areas of high unemployment and can their mobility be expected to increase?

A number of excellent studies have addressed themselves to these questions. First, it appears that unemployed people (regardless of area) are more likely to *want* to migrate than are employed people of the same occupational or age group. But these desires tend to be frustrated in the case of the less educated, the less skilled, and the black. John Lansing and Eva Mueller conclude that: unemployment constitutes a "push" which leads people to move if they are young, well-educated and trained, or live in a small town. In the absence of such characteristics, unemployment is highly unlikely to overcome the reluctance to move, unless the unemployment is prolonged, the income loss substantial, and the family has no alternative local source of support.

Thus, the labor force groups most prone to unemployment are also the least mobile (quite naturally, because they' have the least to offer in relation to labor demands and the least likelihood of finding a job if they do move). Out-migration is highly selective in favor of the better trained and more educated. This has two serious implications. First, even assuming continuous prosperity, we cannot presently count on migration alone to solve all the problems of distressed areas by draining away their unemployed. Second, such migration from distressed areas as does occur results in a lowered "quality mix" of the labor supply of those areas, which may further handicap them in any competition for new employers.

But if migration is inadequate, the remedy is not to discourage it, as some would propose. It is quite possible and certainly more appropriate to upgrade the less productive and less mobile groups so that they will be better able to migrate and also will be more attractive to potential employers wherever they are. One of the great virtues of a strategy of human resources development, improved job information, and placement services is this double-action impact. It helps people move to jobs and helps jobs move to people. The danger in practice is that part of the benefit may be thrown away by misguided efforts to restrict migration— for example, by training people only for the kinds of jobs existing in their home areas, or by pension plans, union restrictions, and relief eligibility rules that discriminate against newcomers in areas of in-migration.

The long-term prospects—or at least the possibilities—seem good for some continued increase in the mobility of the disadvantaged groups in labor surplus areas. This should diminish migration selectivity and allow migration to contribute more effectively to regional adjustment.

The mobility of employment locations is the other important aspect relating to the issue of bringing jobs to people or the reverse. It is commonly said that manufacturing industries have become much freer in their choice of locations than they were in the age of coal and steam, and this is almost certainly true *as among regions.* It is not at all obvious, however, that employers are becoming increasingly indifferent about where they locate. There have been substantial population shifts in the last decade or so, and these have been mirrored to some extent by changing patterns of growth in employment. For many companies, smaller cities, towns, and unincorporated places are becoming increasingly attractive location alternatives. For others, the nation's large metropolitan areas continue to offer important advantages. In either case, the decision to locate is not a matter of whim and fancy but is guided by economic incentives.

In any event, there seems to be ample evidence that an attempt to solve problems of regional employment by bringing new industry to every community or labor market area would be wasteful and futile. Henry Ford I in the 1920s, and many others before and after, have thought it possible and desirable that industrial employment be diffused to every small town and village, and the first Indian Five-Year Plans after independence put substantial reliance on developing small-scale village industries. In no country, however, has such an attempt really succeeded

On the contrary, shifts of population and employment to major urban areas and out of small towns and the countryside reflect in part the growing importance of tertiary activities, the declining importance of agriculture, the improvement of long-distance communication and people transport, larger-scale production and management units, demand for urban-type amenities, and proliferation of the external economies of agglomeration and urbanization.

Counter movements to smaller communities are similarly selective. Manufacturing activity may respond to the existence of a skilled work force that is particularly well suited to the production of high-technology components, and service industry growth may follow the population movements of retired persons to amenity-rich rural areas, but not all places—metropolitan or nonmetropolitan—share these characteristics equally.

where does all this leave us in terms of the basic strategy issues for regional development assistance?

In general, the points raised so far suggest the following conclusions. Firstly, migration can and should play a substantial role in effecting desirable regional adjustments. Its effectiveness tends to grow and can be greatly enhanced by programs of education, training, retraining, equal opportunity, open entry, job information, and placement services especially directed at the least employable and least mobile manpower groups in areas of labor surplus. Programs more explicitly directed at the encouragement of migration can also play a substantial role.

Secondly, employment is not fully footloose. There are important differences in the development possibilities of different areas. It would not be feasible to bring employment (except of the work relief type) to each and every labor market area. Thirdly, accordingly, place prosperity is an inadequate and misleading goal because development assistance should be allocated on the basis of the *needs* of people and the *development potential* of areas. such assistance should be at least to some extent, focused on particularly promising locations and human resources programs of the type outlined in (1) above should play a major role. Fourthly, strong political pressure is to be expected in the direction of the use of local distress as a priority guide, the discouragement of emigration, and the diffusion of assistance to more and more areas.

12.6 The Role of Growth Centers

One of the four basic issues of regional development assistance strategy concern the focusing of such assistance upon a relatively small number of selected *growth centers,* at which there exist or can easily be created the necessary conditions for expanding employment opportunity and especially, the public infrastructure and the external economies that most activities require. Such growth centers are then expected to attract commuters and migrants from surrounding areas of labor surplus, and at the same time to stimulate secondary growth of employment in some of those areas.

Applicability of the Growth-Center Strategy to Different Types of Problem Areas

The problem of choosing growth centers arises only in certain of the problem areas. There has been a tendency to lump together indiscriminately the backward areas and the developed but distressed areas, in assistance programs. The two types of areas do share certain symptoms of maladjustment. Both suffer essentially from obsolescence of the bases for their former economic viability; both need help in making a structural shift to a new base in response to changes that have occurred in demand, resources availability and competition from other areas. For both, a successful transition calls for modernizing human and capital resources and infrastructure (including institutions and attitudes) so that they can effectively grasp new opportunities provided by technological and economic change and thus become more resilient, self-reliant, and generative.

But at this point the similarity ends. With respect to needs for education, the two kinds of areas are likely to differ substantially. The population of a distressed developed area may show no particular deficiencies in all-round literacy and capability for productive industrial or tertiary employment. Internal and external transport and communication facilities in such an area are also likely to be adequate or more than adequate. There are substantial local resources of capital and at least some relevant industrial know-how. The basic elements of growth centers are already there and the problem is essentially one of modernization—reorienting the local labor force, business community, infrastructure and public sector toward the opportunities of today and tomorrow.

By contrast, for truly backward areas with little industrialization or urbanization, the necessity of finding or creating specific growth centers is of major concern

Summary

The formulation of public policies on location and regional development was stimulated in the second quarter of this century by continuing interregional disparities in income and economic opportunity by the increasing role of the national government in financing and providing regional services, by disenchantment with population increases as an objective and with competitive regional subsidization of growth, by the dilution of provincialism, and by changes in factors affecting location. National government programs to maintain high employment levels and to improve manpower quality and mobility are warranted on grounds of both equity and efficient allocation of resources among and within regions. An important distinction exists, however, between the objective of "place prosperity," or economic assistance to regions as such and the really fundamental goal of "people prosperity."

Public policy can influence regional structure and development through many measures, which include upgrading manpower quality and factor mobility, maintaining a high national employment level, subsidizing or restricting investment, controlling transfer rates and services, allocating public purchases and investments among regions, supporting research and development, and assisting in the provision of local or regional infrastructure.

The four main issues arise in connection with public policy toward regions are: (1) degree of reliance on the place prosperity criterion, (2) allocation of regional assistance as charity or as investment, (3) focusing of assistance in growth centers as contrasted with wide dispersion, and (4) choice among available devices for influencing development.

Unit Five: Local and Regional Development Planning

✪Unit Introduction

Have you ever participated in the preparation of development planning in your locality/region or Kebele? If that is so, it is great. Development planning is a combination of two distinct words (development and planning) synchronized into one. Development can be defined as a process of change that enables people to take charge of their own destinies and realize their full potential. Planning is setting of objectives to bring about development. Local and regional development planning is an all-encompassing and multi-dimensional process that takes place at the local and regional levels. It is a wide-ranging plan which encompasses a broad set of objectives to attain development within a specified period of time. National governments have played an important role in the successful development experiences of the countries in East Asia. In other parts of the world, including some countries in Africa, Latin America, the Caribbean and the transition countries, government often appears to have been more of a hindrance than a help, stifling the market rather than facilitating its role in growth and development.

This unit is divided into two main sections. The first section is devoted to define some basic planning concepts. This part also includes a review of different arguments for and against planning. Economic, pluralist, traditional and Marxist arguments are the focus of the section. In section two, attention will shift to various planning models-rational, incrementalism, mixed and advocacy planning. This section also briefly reviews different types, classifications and steps of planning. Finally, a unit summary has been provided and self-assessment questions have been prepared at the end of this unit. The self-assessment questions are aimed at checking your progress under this unit.

Section One: Planning Concepts and Models

✪Section overview

Planning is a process of organizing national economic and social efforts for the promotion or achievement of clearly defined national development goals. It is a means for attaining social and economic development. Although debate and research efforts continue over the significance of planning, there is widespread recognition of the usefulness of some form of systematic for promoting development. After defining some of the basic concepts related with planning, this section tries to elaborate briefly the divergent views and debates on planning.

In particular the section examines the economic arguments with detailed explanations to public goods, externalities, and the logic of prisoner’s dilemma to support the argument. Then, pluralist, traditional and Marxist arguments on planning will be discussed. Finally, the section concludes by posing some important activity questions to be answered by the distance students.

1.1. Definition of Basic concepts

Broadly speaking, a plan is a scheme, a design, or a framework of programme of action, work, activities, etc. To plan is meant to formulate a programme of action, or to work out the things that need to be done and often also the methods for doing them. A plan is a programme of action for achieving definite objectives or goals. In this sense, a plan is a policy statement and planning mean policy-making. Planning has different meanings. It means(i) forecasting trends, (ii)making the best way to use limited resources, (iii)identifying problems and restrains and how to overcome them, (iv)avoiding the elements of risk and chance, and (v)reconciling conflicts and contradictions in different activities.

Planning is, therefore, a process in which all organs/departments should be engaged, a process where competing demands are ironed out, adjusted and reconciled in as rational a way as possible.

T.T.Thahane defines development planning as a "process of organizing national economic and social efforts for the promotion or achievement of clearly defined national development goals". In a sense, development planning is a complex process that involves organized efforts of government to achieve specific economic and social goals. Planning encompasses plan formulation, implementation and evaluation, each of which constitutes an important stage in the planning process.

Economic planning may be described as a deliberate governmental attempt to coordinate economic decision making over the long run and to influence direct, and in some cases even control the level and growth of a nation's principal economic variables (income consumption, employment, investment saving exports imports etc) to achieve a predetermined set of development objectives· An economic plan is simply a specific set of quantitative economic targets of be reached in a given period of time with a stated strategy for achieving those targets. Economic plans may be comprehensive or partial. A comprehensive plan sets its targets to cover all major aspects of the national economy. A partial plan covers only a part of the national economy- industry, agriculture, the public sector, the foreign sector, and so forth. Finally, the planning process itself can be described as an exercise in which a government first chooses social objectives then sets various targets and finally organizes a framework for implementing, coordinating and monitoring a development plan.

1.2. Conditions, Strategies or policies of successful planning

A plan should not be a list of programmes; it should have cohesion and consistency. It should have physical, financial, sectoral, spatial, and financial balancing. It should have a consistency with the past, present and future. A good plan is prepared through the process of bottom up rather than imposed from above, yet it is not a charter of demand. Resources inventories are taken and the optimum rates of raising those resources and exploiting them are worked out. Accordingly, the programmes are so formulated that they fit well with the manpower balance sheet of the regions and activities. Human, material and financial resources have to be put in a matching position. Targets have to be realistic not ritualistic repletion of the last failed targets.

Regional Planning

Region is the sub-national unit. Regional planning hence cannot over-ride national planning. It is aprioristic to specific regional ends. Location of functions, facilities and projects in a region and running them well to achieve the goals and objectives of the region is regional planning but it should not clash with the national planning and objectives. Nevertheless, one big problem with regional planning is that the funds come from the national or state level sources because the region cannot raise them all. It requires higher level benevolence. Regional planning is not uniform in the matter of programs and projects but the objective is the same –to develop the region according to its *endowments of the area*. Regional planning has to achieve the national goal also as they are perceived in a region of planning, the national obligations are not discarded. Cohesiveness in planning requires centralized planning /programming but vitality in achievements requires decentralization and regionalization.

Decentralization and Development

Economic development in any country is the result of the healthy interaction between natural resource, enhanced human skill, adequate financial and real saving, organizational and technological level and entrepreneurial drive and innovation. In the economics of development, human beings are not to be treated as merely as an instrument of production but ends in themselves. They are the be-all and the end-all of all economic activities. 'The problems of economic development should be managed with cool heads and warm heart'.

Decentralization

The term decentralization has been used to encompass a variety of alternative institutional and financial arrangements for sharing power and allocating resources. The different forms are: deconcentration, devolution, privatization and delegation.

Deconcentration: refers to the handing over of administrative or managerial responsibility to sub-national units within line ministries or other sector specific national agencies. It normally implies that the field units and field staffs are given some discretion to adjust national plans and directives to local conditions. In purely deconcentrated systems, local governments do not exist as discrete entities and there is mechanism at the local level for mandatory horizontal coordination and integration. Involvement of the local population in this case will normally be limited to participation in the implementation of centrally determined policies.

Delegation: This takes place when the public enterprises and other semi-autonomous government agencies are assigned responsibility for implementing sector investments or for operating public utilities and services. It mainly occurs in sectors like energy, communications, ports, water and transport. Delegation may or may not entail deconcentration, depending on whether the agencies concerned establish a branch office system for their operations.

Devolution: This is based on the idea that political power and legitimacy originally and naturally belong to the central state. Consequently, all decentralization below that level requires special justification. Devolution thus, is the transfer of authority and responsibility to regional or local governments with their own discretionary authority. In devolved systems, responsibility for the range of operations encompassing several sectors is assigned to local authorities, which are established as corporate bodies in the legal sense with powers to raise revenue and incur expenditure. The overseeing role of the central government is here limited to ensuring that local authorities operate within broad national guidelines with respect to those functions for which the local bodies have been given the authority to exercise discretion.

'Local governments can be both democratic with popularly elected assemblies and non-democratic where the local political leadership is typically selected by regional powers or possibly by the central authorities'.

Privatization: as the type of decentralization refers narrowly to government agencies divesting themselves of responsibly for project implementation or for providing infrastructure and services. Experience shows that it is only in the minority of countries in the third world that we find comprehensive devolution and thus strong local self-government. The question however is that 'is decentralization an end or a means to achieve improved administrative performance?'

Decentralization in the form of devolution may be promoted to serve particular political interest, as when ethnic or other communities demand some form of local self-government. The transfer of power to local institutions may also be promoted by a central leadership's interest in sharing the blame with others for poor economic performance or for not being able to deliver basic services to the citizens. But, most often the objective of devolution at the political level is the positive one of increasing constructive popular participation in decision making, plan formulation and development work.

In economic terms, the objectives often stated for devolution focus on increasing local resource mobilization as parts of overall resource generation for development, provision of better services and local infrastructure, more efficient utilization of resources and more generally increasing total government capacity to facilitate and promote economic, social and human development. At amore narrow administrative level, the objective often refers to increased effectiveness and efficiency in general and financial management, increased transparency, and accountability and a better adaptation of government activities to local conditions and locally perceived needs and priorities. Currently responsiveness is added as another criterion.

Effectiveness here refers to the degree to which a stated objective or condition is achieved or maintained, while efficiency refers to the quantity of resources expended in the effort to achieve a stated objective or condition. This criterion basically implies cost minimization for attaining specific degrees of goal achievement. Responsiveness on the other hand refers to the degree to which an institution or an organization responds to citizens needs and demands and adapts to the changing conditions. Responsiveness often implies a degree of accountability which intern requires transparency and access to decision making as seen from the citizens point of view. Based on these three criteria, two prominent decentralization theorists (shabiir cheema and Dennis Rondinelii) have proposed two interrelated hypotheses.

The first hypothesis asserts that the knowledge of local needs and the responsiveness to the changing local conditions are, generally speaking, better at local government level than at regional or national level. It follows from this hypothesis that as many development and service functions as possible should be turned over to the local authorities.

The second hypothesis, on the other hand asserts that, economies of scale can be lost by transferring tasks to local authorities. In addition to these the lower level authorities may lack sufficient financial, technical and managerial resources and skills to perform the functions. As the result there may be tasks which by their virtue are regional or national such as the exploitation of mineral and environmental problems. Hence a balance must be aimed with gradual strengthening of the local authorities so that they take over more and more tasks-*a subsidiary principle*. *This* principle states that all necessary functions in a society or community should be carried out at the grassroots level and preferably by the citizens themselves or their own organizations.

It should be emphasized here that the potential trade –offs among the multiple objectives may be both may be both positive and negative. Thus, achieving a high degree of devolution may or may not be conducive to improving efficiency in resource mobilization. That would depend, among other things, on the institutional and manpower capacities available at the local level. Likewise, increased involvement of citizens in decision making may or may not be conducive to enhancing local resource mobilization.

1.3. Arguments for and Against Planning

what are the core arguments for and against planning?

Formal governmental attempts to plan for and direct social change have always been controversial. However, public and academic attention to planning peaked in the "great debate" of the 1930s and 1940s between proponents of government planning such as Karl Mannheim, Rexford Tugwell, and Barbara Wootton and defenders of "free" markets and laissez-faire such as Friedrich Hayek and Ludwig von Mises. By the 1950s the debate had apparently been resolved: the grand issues of the desirability and feasibility of planning had been replaced by more concrete questions concerning particular planning techniques and alternative institutional structures for achieving society's objectives.

Let us now critically examine the major types of arguments that have been used as two-edged rhetorical swords both to criticize and defend government planning efforts and to consider the implications of these arguments for planning in the 1980s and beyond. The analysis will consider only formal governmental efforts at the local and regional level to achieve desired goals and solve novel problems in complex contexts. Contemporary arguments for abandoning planning, reducing regulation, and restricting the size of government are generally accompanied by calls for increased reliance on private entrepreneurship and the competitive forces of the market. That is, it is often argued, government regulation and planning are unnecessary and often harmful because they stifle entrepreneurial initiative, impede innovation, and impose unnecessary financial and administrative burdens on the economy.

These arguments find their historical roots in the world of Adam Smith, John Stuart Mill, and others of the classical liberal tradition. Emphasizing individual freedom, reliance on the "impersonal" forces of the market, and the rule of law, these authors called for minimal state interference in society's economic affairs to protect individual liberty and promote freedom of choice and action. On pragmatic grounds they argued that competitive markets could be relied upon to coordinate the actions of individuals, provide incentives to individual action, and supply those goods and service that society wants, in the quantities it desires, at the prices it is willing to pay.

Building on these foundations, contemporary neoclassical economists have demonstrated mathematically that competitive markets are capable in theory of allocating society's resources in an efficient manner. That is, given an initial distribution of resources, a market-generated allocation of these resources cannot be redistributed to make some individuals better off without simultaneously making other individuals worse off. However, this efficient allocation will occur only in perfectly competitive markets that satisfy the following conditions: (1) a large number of buyers and sellers trade identical goods and services; (2) buyers and sellers possess sufficient information for rational market choice; (3) consumer selections are unaffected by the preferences of others; (4) individuals pursue the solitary objective of maximizing profits; and (5) perfect mobility exists for production, labor, and consumption.

The numerous obvious divergences between markets in the real world and economists' competitive market ideal justify a range of government actions fully consistent with private property, individual liberty, and decentralized market choice. The need to increase market competition and promote informed consumer choice in a world of huge multinational firms and mass advertising helps justify restrictions on combinations in restraint of trade and prohibitions on misleading advertising. Indicative planning efforts at a national level in France and elsewhere are likewise justified as providing the information required for rational market choice. The development of municipal information systems and the preparation of long-range economic forecasts are similarly justified as promoting informed market choice with respect to location decisions for which the relevant information is difficult to obtain, experience is limited, and mistakes can be exceptionally costly. More important, both classical and neoclassical economists recognize that even perfectly competitive markets require government action to correct "market failures" involving (1) public or collective consumption goods; (2) externalities or spill-over effects; (3) prisoners' dilemma conditions; and (4) distribution issues.

(a) Public goods

can you define the concept of public goods?

Public goods are defined by two technical characteristics: (1) "jointed" or "non-rivalrous" consumption such that, once produced, they can be enjoyed simultaneously by more than one person; and (2) "non-excludability" or "non-appropriability" such that it is difficult (in some cases impossible) to assign well-defined property rights or restrict consumer access. Private goods such as apples, bread, and "normal" consumer goods exhibit neither characteristic; once produced, they can be consumed by only one individual at a time. It is thus easy to restrict access to these goods and charge a price for their enjoyment. On the other hand, public goods such as open-air concerts, television broadcasts, and a healthy and pleasant environment simultaneously benefit more than one individual, because one person's enjoyment does not prohibit another's enjoyment (except for any congestion effects). As a result, controlling access to these goods is either difficult (scramblers must be installed to restrict access to television broadcasts) or impossible (clean air).

Competitive markets can effectively allocate private goods that can be enjoyed only if they are purchased; as a result, the prices individuals are willing to pay for alternative goods accurately reflect their preferences for these goods. For public goods the benefit individuals receive is dependent on the total supply of the good, not on their contribution toward its production. Thus, in making voluntary market contributions to pay for, say, environmental protection, individuals are free to understate their real preferences for environmental quality in the hope that others will continue to pay for its protection – enabling them to be "free riders," enjoying a pleasant environment at no personal expense. Of course, if everyone did this, the money required to protect the environment adequately would no longer be available. Individuals may also underestimate others' willingness to contribute and "overpay," thereby ending up with more public goods and fewer private goods than they really desire. In either case the aggregated market preferences of individuals do not accurately reflect individual or social preferences for alternative public and private goods – the "invisible hand" fumbles.

Similar arguments can be made for public provision of quasi-public goods such as education, public health programs, transportation facilities, and police and fire protection, which simultaneously benefit particular individuals and provide shared, non-ration able benefits to society as a whole. As a result, public goods can be used to justify over 96 percent of public purchases of goods and services and an almost open-ended range of government activities.

(b) Externalities

what are externalities?

Closely related to the concept of public goods are externalities or spill over effects of production and consumption that are not taken into account in the process of voluntary market exchange. The classic example is a polluting industrial plant that imposes aesthetic and health costs on neighbouring firms and individuals not included in its costs of production. Similar spill-over effects are revealed by land developers who can freely ignore the costs of congestion, noise, and loss of privacy that high-intensity development imposes on neighbouring landowners. Positive external economies include the increased land values associated with the construction of new transportation links and other large-scale improvements, which adjoining landowners can enjoy without compensation.

As is true for public goods, the divergence between public and private costs and benefits associated with externalities causes even perfectly competitive markets to misallocate society's goods and services. Profit-maximizing firms concerned only with maximizing revenues and controlling costs are encouraged to increase output even though the associated negative external costs vastly outweigh any increases in revenue because the external, social costs are not reflected in their production costs. Neighbourhood beautification projects and similar goods with positive external effects similarly tend to be under produced, because private entrepreneurs cannot appropriate the full economic benefits of their actions. In both situations the "invisible hand" again fails to reflect accurately the needs and desires of society's members.

(c) Prisoner's dilemma conditions

Have you ever heard about prisoner’s dilemma conditions?

Similar difficulties are revealed in circumstances in which individuals' pursuit of their own self-interest does not lead to an optimal outcome for society or for the individual involved. Consider, for example, the situation faced by landlords in a declining neighbourhood who must decide whether to improve their rental property or invest their money elsewhere. If landlords improve their property and others do not, the neighbourhood will continue to decline, making the investment financially inadvisable. On the other hand, if the landlords do not improve their property and the others improve theirs, the genera] improvement of the neighbourhood will allow landlords to raise rents without investing any money. As a result, it is in each individual's self-interest to make no improvements; however, if they all refuse to do so, the neighbourhood will decline further, making things worse for everyone. An identical inevitable logic leads the competitive market to over utilize "common pool" resources with a limited supply and free access, such as wilderness areas and a healthy environment.

The fundamental problem here, as for public goods and externalities, lies in the interdependence between individual actions and the accompanying disjunction between individual benefits and costs versus social benefits and costs. The only solution in all three cases is government action to deal with the public and external effects that are neglected in the pursuit of individual gain. Solutions for declining neighbourhoods include compulsory building codes, public acquisition and improvement of entire neighbourhoods, and "enveloping" – public improvements to neighbourhood exteriors that will encourage private investments.

(d)Distributional questions

what are the distributional questions of resources?

As was pointed out above, economists have demonstrated that, given an initial distribution of resources, perfectly competitive markets will allocable those resources in such a way that no one can benefit without someone else being harmed. However, neither the initial nor the final distribution can be assumed to be in any way optimal. Both are determined largely by inherited wealth, innate talent, and blind luck and can range from states of perfect equality to extremes of tremendous wealth and abject poverty.

Economic efficiency alone provides no criterion for judging one state superior in any way to another. As a result, given a societal consensus on the proper allocation of resources, for example, that all babies should receive adequate nutrition and that the elderly should be cared for, government tax collection and income transfer programs are justified to achieve these objectives with minimal market interference.

The preceding discussion has identified a range of government functions fully consistent with consumer sovereignty, individual freedom in production and trade, and decentralized market choice. Each of these functions justifies a major area of contemporary planning practice: first, providing the information needed for informed market choice through indicative planning, the development of urban information systems, and the preparation of long-range population, economic, and land-use projections: second, the provision of public goods through transportation. environmental, and economic development planning; third, the control of externalities and resolution of prisoner's dilemma conditions through urban renewal, community development and natural resources planning, and the use of traditional land regulatory devices; and lastly, health, housing, and other forms of social planning to compensate for inequities in the distribution of basic social goods and services. Specific government actions to reduce conflicts between incompatible land uses, coordinate private development and public infrastructure, preserve open space and historic buildings, and examine the long-range impacts of current actions can similarly be justified as needed to correct market failures revealed in the physical development of the city.

It must be recognized, however, that while necessary to justify government planning in a market society, these arguments are not sufficient to do so. This is true, first, because those activities that are the proper responsibility of government in a market society need not be planning matters at all. Government decisions concerning the provision of public goods, the control of externalities, and so on can be made in a number of ways: by professional planners, by elected or appointed public officials, by the proclamations of a divine ruler, or by pure happenstance involving no deliberate decision process at all. If planning is justified by the economic arguments for government alone, it is impossible to differentiate between governments planning and government non-planning "government" is reduced to an undifferentiated mass.

(ii) Pluralist Arguments

can you guess the main tenets of the pluralist arguments?

Other arguments for and against planning emerged during the 1960s and 1970s to complement the economic arguments considered above. Accepting the economic arguments for government outlined above, Lindblom, Wildavsky, and other critics of planning suggest that government actions should not be guided by long-range planning or attempts at comprehensive coordination but by increased reliance on existing political bargaining processes. Underlying these arguments is a political analogue to the economists' perfectly competitive market in which competition between formal and informal groups pursuing a range of divergent goals and interests is assumed to place all important issues on the public agenda, guarantee that no group dominates the public arena maintain political stability and improve individuals' intellectual and deliberative skills. In this model government has no independent role other than establishing and enforcing the rules of the game and ratifying the political adjustments worked out among the competing groups. Thus, it is assumed, political competition, like market competition, eliminates the need for independent government action, planning, and coordination.

Unfortunately, the pluralist model is subject to the same fundamental limitations that face the economic model of perfect market competition. Just as markets are dominated by gigantic national and multinational conglomerates, the political arena is dominated by individuals and groups who use their access to government officials and other elites to protect their status, privilege, and wealth and ensure that government acts in their interest. Particularly privileged are corporate and business leaders whose cooperation is essential for government's efforts to maintain full employment and secure stable economic growth. As a result, government officials, particularly at the local level, cannot treat business as only another special interest but must provide incentives to stimulate desired business activity, such as tax rebates and low-interest loans to attract new industry and downtown improvement projects to encourage retail and commercial activity in the central business district. Further supporting business's unique position in the group bargaining process is an unrecognized acceptance of the needs and priorities of business that pervades our political and governmental processes, media, and cultural and educational institutions.

Systematically excluded from the group bargaining process are minority and low-income individuals and groups residing in decaying urban centers and rural hinterlands. Lacking the time, training, resources, leadership, information, or experience required to participate effectively in the political process; these groups have no effective voice in determining the public policies that shape their world. By thus tying individuals' political voice to underlying disparities in political power and resources, current political processes exacerbate existing inequalities in income and wealth and fail to provide adequate information for fully informed policy making. Group bargaining also fails adequately to provide collective goods and services that provide small benefits to a large number of individuals. In small groups, each member receives a substantial proportion of the gain from a collective good: as a result, it is clearly in their interest to ensure that the good be provided. For large groups, individual benefits are so small and organizational costs so large that it is in no one's immediate interest to provide for the common good. The result is an "exploitation of the great by the small" in which small groups with narrow, well-defined interests – such as doctors and lawyers – can organize more effectively to achieve their objectives than larger groups – such as consumers – who share more broadly defined interests. By turning government power over to the most interested parties and excluding the public from the policy formulation and implementation process, pluralist bargaining systematically neglects the political spill-over effects of government actions and policies on unrepresented groups and individuals.

The limitations of pluralist bargaining, like the limitations of market competition, provide the theoretical justification for a wide range of planning functions. Accepting the critiques of comprehensive planning by Lindblom and others, some authors propose that planning be limited to the "adjunctive" functions of providing information, analyzing alternative public policies, and identifying bases for improved group interaction. The objective here, as for indicative planning, is improving existing decentralized decision processes by providing the information needed for more informed decision making.

The pluralist model is incorporated directly into the advocacy planning approach, which rejects the preparation of value-neutral "unitary" plans representing the overall community interest for the explicit advocacy of "plural plans" representing all of the interests involved in the physical development of the city. Recognizing the inequities of existing political processes, advocate planners have acted primarily as advocates for society's poor and minority members.

Experience has demonstrated, however, that advocacy planning shares many of the limitations of the pluralist model on which it is based: (1) urban neighbourhoods are no more homogeneous and the neighbourhood interest no more easy to identify than is true at the community level; (2) group leaders are not representative of the group's membership; (3) it is easier to represent narrowly defined interests and preserve the status quo than to advocate diffuse and widely shared interests or propose new alternatives; and (4) public officials still lack the information required for adequate decision making.

As a result, there remains a fundamental need for public sector planners who can represent the shared interests of the community, coordinate the actions of individuals and groups, and consider the long-range effects of current actions. This does not imply that the shared interests of the community are superior to the private interests of individuals and groups or that the external and long-term effects of action are more important than their direct and immediate impacts. It assumes only that these considerations are particularly important politically, because only government can ensure that they will be considered at all. It is on these foundations that the traditional arguments for town and country planning have been made.

(iii) Traditional Arguments

what do you think are the justifications forwarded by the traditional arguments?

The planning profession originated at the turn of the century in response to the widespread dissatisfaction with the results of existing market and political processes reflected in the physical squalor and political corruption of the emerging industrial city. The profession's organizational roots in architecture and landscape architecture were reflected in early views of planning as "do[ing] for the city what . . . architecture does for the home" – improving the built environment to raise amenity levels; increase efficiency in the performance of necessary functions; and promote health, safety, and convenience. The profession's political roots in progressive reform were reflected in arguments for planning as an independent "fourth power" of government promoting the general or public interest over the narrow, conflicting interests of individuals and groups. Others viewed planning as a mechanism for coordinating the impacts of public and private land uses on adjoining property owners and considering the future consequences of present actions in isolation from day-to-day operating responsibilities. Underlying all of these arguments was the belief that the conscious application of professional expertise, instrumental rationality, and scientific methods could more effectively promote economic growth and political stability than the unplanned forces of market and political competition.

Implicit in these traditional arguments for planning are many of the more formal justifications examined above. The arguments for planning as an independent function of government promoting the collective public interest obviously parallel the economic and pluralist arguments for government action to provide public or collective consumption goods. The calls for planning as comprehensive coordination similarly recognize the need for dealing with the external effects of individual and group action. And the arguments for planning that consider the long-range effects of current actions likewise acknowledge the need for more informed public policy making. Noteworthy by its absence is any concern with the distributional effects of government and private actions, which were largely ignored in planners' attempts to promote a collective public interest.

(iv) Marxist Arguments

can you discuss the main arguments of Marxists?

The recent emergence of Marxist theories of urban development has added a new dimension to the debate about the desirability and feasibility of planning. From the Marxist perspective, the role of planning in contemporary society can be understood only by recognizing the structure of modern capitalism as it relates to the physical environment. That is, it is argued, the fundamental social and economic institutions of capitalist society systematically promote the interests of those who control society's productive capital over those of the remainder of society. The formal organization of the state is likewise assumed to serve the long-term interests of capital by creating and maintaining conditions conducive to the efficient accumulation of capital in the private sector, subordinating the conflicting short-run interests of the factions of capital to the long-run interests of the capitalist class, and containing civil strife that threatens the capitalist order. These actions are legitimized by a prevailing democratic ideology that portrays the state as a neutral instrument serving the interests of society as a whole.

Marxists argue that fundamental social improvements can result only from the revolutionary activity of labor and the replacement of existing social institutions benefiting capital by new ones serving the interests of society at large. Essential reforms include public ownership of the means of production and centralized planning, which would replace existing market and political decision processes by the comprehensive coordination of investment decisions and democratic procedures for formulating social priorities and restricting individual actions that conflict with the long-term interests of society.

Applying this perspective to urban planning, Marxist scholars have been highly critical of traditional planning practice and theory. The arguments for and against planning examined above are dismissed as mere ideological rationalizations that fail to recognize the material conditions and historical and political forces that allowed planning to emerge and define its role in society. Accepting the limitations of market and political competition outlined above, Marxists interpret planners' actions in each sphere as primarily serving the interests of capital at the expense of the rest of society. Planners' attempts to provide collective goods and control externalities are assumed to serve the needs of capital by helping to manage the inevitable contradictions of capitalism revealed in the physical and social development of the city. Planners' attempts to employ scientific techniques and professional expertise are seen as helping to legitimize state action in the interest of capital by casting it in terms of the public interest, neutral professionalism, and scientific rationality. And planners' attempts to advance the interests of deprived groups are dismissed as merely co-opting these groups, forestalling the structural reforms that are ultimately required to bring real improvement to their positions in society.

While extremely valuable in helping to reveal the underlying nature of contemporary planning, the Marxist perspective has obvious limitations as a guide to planning practice. A strict Marxist analysis, which sees all social relations and all government actions as serving the interests of capital, identifies no mechanism for reform other than a radical transformation of society, which is highly unlikely in the near future: if needed reforms can result only from the revolutionary action of labor and all attempts to help the needy merely delay necessary structural changes. There is no significant role for reform-minded planners who occupy an ambiguous class position between labor and capital. And rejection of planners' attempts to apply professional expertise and scientific methods to public policy making as merely legitimizing and maintaining existing social and economic relations deprives professional planners of their main political resource for dealing with other political actors – their claims to professional expertise.

As a result, as was true for the arguments or against planning examined earlier, the Marxist arguments cannot be evaluated in the abstract but must be examined critically in the light of present economic and political realities. Thus, while it may be theoretically desirable to replace existing market and political decision processes, this is highly unlikely to happen in most Western democracies. The lack of a revolutionary role for planners in traditional Marxist analysis does not mean that they cannot work effectively for short-term reforms with other progressive professionals and community-based organizations. And while contemporary planning may indeed serve the interests of capital. It need not serve these interests alone and is clearly preferable to exclusive reliance on the fundamentally flawed processes of market and political competition.

Section Two: Models of Development Planning

2.2. Planning Models

1. Rational planning model

what is rational planning model?

The rational planning model is the process of realizing a problem, establishing and evaluating planning criteria, creating alternatives, implementing alternatives, and monitoring progress of the alternatives. It is used in designing neighborhoods, cities, and rational decision-making or planning follows a series of steps detailed below:

(i) Verify, Define, and Detail the problem

This step includes recognizing the problem, defining an initial solution, and starting primary analysis. Examples of this are creative devising, creative ideas, inspirations, breakthroughs, and brainstorms. The very first step which is normally overlooked by the top-level management is defining the exact problem. Though we think that the problem identification is obvious, many times it is not. The rational decision-making model is a group-based decision-making process. If the problem is not identified properly then we may face a problem as each and every member of the group might have a different definition of the problem. Hence, it is very important that the definition of the problem is the same among all group members. Only then is it possible for the group members to find alternate sources or problem solving in an effective manner.

(ii) Generate all possible solutions

This step encloses two to three final solutions to the problem and preliminary implementation to the site. In planning, examples of this are Planned Units of Development and downtown revitalizations.

This activity is best done in groups, as different people may contribute different ideas or alternative solutions to the problem. If you are not able to generate alternative solutions, there is a chance that you might not arrive at an optimal or a rational decision. For exploring the alternatives, it is necessary to gather information. Technology may help with gathering this information.

(iii) Generate objective assessment criteria

Evaluative criteria are measurements to determine success and failure of alternatives. This step contains secondary and final analysis along with secondary solutions to the problem. Examples of this are site suitability and site sensitivity analysis. After going thoroughly through the process of defining the problem, exploring for all the possible alternatives for that problem and gathering information this step says evaluate the information and the possible options to anticipate the consequences of each and every possible alternative that is thought of. At this point of time we have to also think over for optional criteria on which we will measure the success or failure of our decision taken.

(iv) Choose the best solution which we have already generated

This step comprises a final solution and secondary implementation to the site. At this point the process has developed into different strategies of how to apply the solutions to the site. Based on the criteria of assessment and the analysis done in previous steps, choose the best solution which we have generated. Once we go through the above steps thoroughly, implementing the fourth step is easy job. These four steps form the core of the Rational Decision-Making Model.

(v) Implementing the preferred alternative

This step includes final implementation to the site and preliminary monitoring of the outcome and results of the site. This step is the building/renovations part of the process.

(vi) Monitoring and evaluating outcomes and results

This step contains the secondary and final monitoring of the outcomes and results of the site. This step takes place over a long period of time.

(vii) Feedback: Modify the decisions and actions taken based on the feedback.

Assumptions and Limitations of the model

i) Assumptions of the model

There are a lot of assumptions, requirements without which the rational decision model is a failure. Therefore, they all have to be considered. The model assumes that we have or should or can obtain adequate information, both in terms of quality, quantity and accuracy. This applies to the situation as well as the alternative technical situations. It further assumes that you have or should or can obtain substantive knowledge of the cause and effect relationships relevant to the evaluation of the alternatives. In other words, it assumes that you have a thorough knowledge of all the alternatives and the consequences of the alternatives chosen. It further assumes that you can rank the alternatives and choose the best of it.

The rational decision-making model, amongst its many assumptions assumes that there is a single, best solution that will maximize the desired outcomes. The bounded rationality model says that the problems and the decisions are to be reduced to such a level that they will be understood. In other words, the model suggests that we should interpret information and extract essential features and then within these boundaries we take a rational decision.

The model turns towards compromising on the decision-making process though it is a structured decision-making model. The decision maker takes the decision or is assumed to choose a solution though not a perfect solution but “good enough” solution based on the limited capacity of the group leader to handle the complexity of the situation, ambiguity and information. The steps involved in the decision making are alike to the rational decision-making process the model assumes that the perfect knowledge about all the alternatives are not possible for a human being to know. Hence, based on the limited knowledge he takes a good enough knowledge though not a perfect decision.

The rational decision-making model contains a number of assumptions.

- Problem clarity: The problem is clear and unambiguous. The decision maker is assumed to have complete information regarding situation.
- Known options: It is assumed the decision maker can identify all the relevant criteria and can list all the viable alternatives. Furthermore, the decision maker is aware of all possible consequences of each alternative.
- Clear preferences: Rationality assumes that the criteria and alternatives can be ranked and weighted to reflect their importance.
- Constant preferences: It's assumed that the specific decision criteria are constant and that the weights assigned to them are stable over time.
- No time or cost constraints: The rational decision maker can obtain full information about criteria and alternatives because it's assumed that there are no time or cost constraints.
- Maximum payoff: The rational decision maker will choose the alternative that yields the highest perceived value.

ii) Limitations of the model

The following are the limitations for the rational decision-making model:

- It requires a great deal of time.
- It requires great deal of information
- It assumes rational, measurable criteria are available and agreed upon.
- It assumes accurate, stable and complete knowledge of all the alternatives, preferences, goals and consequences.
- It assumes a rational, reasonable, non – political world.

2. Disjoint-Incrementalism ('the science of muddling through'

This model argues that planning cannot be comprehensive that brings a significance departure from the status quo. Instead, decisions should be made at margins from the status quo. Due to limited availability of full information, it is difficult to change the existing situation fundamentally. Instead, and changes can be brought slowly or incrementally.

3. Mixed Scanning

Mixed scanning is a hierarchical mode of decision making that combines higher order, fundamental decision making with lower order. The term scanning is used to refer to search, collection, processing, and evaluation of information as well as to the drawing of conclusions, all elements in the service of decision making. Mixed scanning also contains rules for allocation of resources among the levels of decision making and for evaluation leading to changes in the proportion of higher versus lower levels of scanning based on changes in the situation.

This approach is less demanding than the full search of all options that rationalism requires, and more "strategic" and innovative than incrementalism. It was suggested in the 1967 publication that it is both empirically supported, in that the most effective decision makers are expected to use mixed scanning. According to mixed scanning model the correct approach is to blend or balance the first two models.

4. Advocacy or pluralist planning

Advocacy planning takes a totally different approach to planning than most of the profession. Advocacy planners listen and hear what people on the ground have to say, recognizing that people in the neighborhoods and in area businesses are better able to understand the conditions and contribute solutions. Advocacy planners learn what the real problems are, take seriously locally promulgated solutions, and provide technical expertise to the implementation of locally developed plans...Davidoff, considered the father of the advocacy planning movement, was greatly influenced by Jacobs."

Advocacy planning, which Vancouver adopted in the 1970s—and is largely responsible for the livability of our many and diverse neighborhoods—stands in contrast to the dysfunctional, top-down approach it replaced, but to which in recent years our city has returned, primarily in response to the overarching influence of the development industry. For example, I read in a recent staff report: "The interests and objectives of the community and the city will be balanced with the developer's aspirations."

5. Participatory Planning

Participatory planning emphasizes the involvement of the entire community in the strategic and management processes of planning or community-level planning processes, urban or rural. It is often considered as part of community development processes. Participatory planning emanates from the advocacy planning. It argues that the beneficiaries have to be involved in the planning process. It rejects the argument that planning should be made by technicians and elites only. All stakeholders have stake in the planning process. Participatory planning attempts to achieve the following objectives :(1) to de-jargonize the planning process by including the concern, idea and dreams of the public in planning;(2) to build the capacity of local role players;(3) to ensure the sustainability of the process;(4) to provide appropriate and realistic plan to the specific local area.

There are certain issues which need to be looked at in participatory planning. These are (1) the issue of diversity (make stakeholder analysis by age, social status, level of economy, sex, etc); (2) equity (equal inclusion of all groups of the community); (3) openness and transparency (the procedure should be transparent).

In terms of skill, participatory planning needs communication, leadership and team work skills.

Purpose of participatory planning

The purpose of participatory planning is to create a platform for learning rather than plunging directly into problem solving. The process is expected to enhance

(1) Identification of the felt needs of the people
(2) Bringing forth consensus
(3) The empowerment of local disadvantaged groups
(4) Integration of local knowledge systems into project design
(5) Two-way learning process between the project and local people
(6) Political commitment and support
(7) Accountability in local governance

Salient features of Participatory Planning

The planning process should produce two sets of results:

1. In the short term, the tools of participatory planning should generate a two-way learning process, which will shape project interventions to local needs, opportunities and constraints.
2. In the long term, this learning process should lead to local empowerment and effective support at the institutional level.

These are considered preconditions for strengthening both institutional capacity for decentralized planning and local planning capacity.

The common tools available include:

Rapid Rural Appraisal methods (RRA): RRA can be defined as a qualitative survey methodology using a multi-discipline team to formulate problems for research and development. It involves external experts teaming up with local community in a process of knowledge sharing.

Participatory Rural Appraisal (PRA): Participatory rural appraisal evolved from rapid rural appraisal-a set of informal techniques used by development practitioners in rural areas to collect and analyze data. PRA is a label given to a growing family of participatory approaches and methods that emphasize local knowledge and enable local people to make their own appraisal, analysis, and plans. This tool is efficient in terms of both time and money. PRA work intends to gather enough information to make the necessary recommendations and decisions.

Even though these tools have been standardized and defined, they have to be tailored to the local requirements. Importance has to be given to what extent these methods contribute to a process of self-analysis, at both local and institutional levels and whether they facilitate local planning and proper designing of project intervention.

2.2. Classification of plans

1) Depending on time horizon

(i) Strategic Planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), PEST analysis (Political, Economic, Social, and Technological), STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors), and EPISTEL (Environment, Political, Informatics, Social, Technological, Economic and Legal).

Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions: "What do we do?" "For whom do we do it?" and "How do we excel?"

In business strategic planning, the third question is better phrased "How can we beat or avoid competition?" In many organizations, this is viewed as a process for determining where an organization is going over the next year or more -typically 3 to 5 years, although some extend their vision to 20 years.

In order to determine where it is going, the organization needs to know exactly where it stands, then determine where it wants to go and how it will get there. The resulting document is called the "strategic plan."

It is also true that strategic planning may be a tool for effectively plotting the direction of a company; however, strategic planning itself cannot foretell exactly how the market will evolve and what issues will surface in the coming days in order to plan your organizational strategy. Therefore, ‘strategic plan' have to be a cornerstone strategy for an organization to survive the turbulent business climate.

ii)Vision statements, Mission statements and values

-Vision: Defines the desired or intended future state of an organization or enterprise in terms of its fundamental objective and/or strategic direction. Vision is a long-term view, sometimes describing how the organization would like the world in which it operates to be. For example, a charity working with the poor might have a vision statement which read "A world without poverty"

-Mission: Defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its Vision. It is sometimes used to set out a 'picture' of the organization in the future. A vision statement provides inspiration, the basis for all the organization's planning. It could answer the question: "Where do we want to go?"

-Values: Beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities.

Strategy: Strategy narrowly defined, means "the art of the general" (from Greek strategies). It is a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there.

Organizations sometimes summarize goals and objectives into a mission statement and/or a vision statement. Others begin with a vision and mission and use them to formulate goals and objectives. While the existence of a shared mission is extremely useful, many strategy specialists question the requirement for a written mission statement. However, there are many models of strategic planning that start with mission statements, so it is useful to examine them here.

A Mission statement tells you the fundamental purpose of the organization. It defines the customer and the critical processes. It informs you of the desired level of performance.

A Vision statement outlines what the organization wants to be, or how it wants the world in which it operates to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

An advantage of having a statement is that it creates value for those who get exposed to the statement, and those prospects are managers, employees and sometimes even customers. Statements create a sense of direction and opportunity. They both are an essential part of the strategy-making process.

Many people mistake vision statement for mission statement, and sometimes one is simply used as a longer-term version of the other. The Vision should describe why it is important to achieve the Mission. A Vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well. A Mission statement is more specific to what the enterprise can achieve it. Vision should describe what will be achieved in the wider sphere if the organization and others are successful in achieving their individual missions.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. The mission statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided it can be elucidated in SMART (Specific, Measurable, Achievable, Relevant and Time-bound) terms. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.

Which comes first? The mission statement or the vision statement? That depends. If you have a new start up business, new program or plan to re-engineer your current services, then the vision will guide the mission statement and the rest of the strategic plan. If you have an established business where the mission is established, then many times, the mission guides the vision statement and the rest of the strategic plan. Either way, you need to know your fundamental purpose - the mission, your current situation in terms of internal resources and capabilities (strengths and/or weaknesses) and external conditions (opportunities and/or threats), and where you want to go - the vision for the future. It's important that you keep the end or desired result in sight from the start.

Features of an effective vision statement include:

- Clarity and lack of ambiguity
- Vivid and clear picture

- Description of a bright future
- Memorable and engaging wording
- Realistic aspirations
- Alignment with organizational values and culture

To become really effective, an organizational vision statement must (the theory states) become assimilated into the organization's culture. Leaders have the responsibility of communicating the vision regularly, creating narratives that illustrate the vision, and acting as role-models by embodying the vision, creating short-term objectives compatible with the vision, and encouraging others to craft their own personal vision compatible with the organization's overall vision. In addition, mission statements need to be subjected to an internal assessment and an external assessment. The internal assessment should focus on how members inside the organization interpret their mission statement. The external assessment — which includes all of the businesses stakeholders is valuable since it offers a different perspective. These discrepancies between these two assessments can give insight on the organization's mission statement effectiveness.

Another approach to defining Vision and Mission is to pose two questions. Firstly, "What aspirations does the organization have for the world in which it operates and has some influence over?", and following on from this, "What can (and /or does) the organization do or contribute to fulfil those aspirations?" The succinct answer to the first question provides the basis of the Vision Statement. The answer to the second question determines the Mission Statement.

2) Depending on operation field

A plan that deals with some specific aspect or sector of the coastal zone is called an *object* or s*ectoral plan*. Examples include plans for the management of natural resources (fish, recreation, mineral), coastal protection construction, landscape conservation and plans for business development such as tourism.

There are also *integrated* plans of coastal zone management that are intended to coordinate strategies of development of various sectors or to combine different approaches towards resolving conflicts arising from multifunctional use of the coastal zone.

Nowadays integrated plans are widespread and are used when it is necessary to coordinate different factors relevant to coastal zone management within the framework of a joint decision-making process. These plans are developed in response to a number of management problems, the most usual being the conflicts between different stakeholders, that cannot be settled by simple object plans. These conflicts often arise from differences in social, environmental and economic points of view. There are various methods of settling these conflicts zoning, political and legal methods. In many cases the most effective option is an integrated plan of coastal zone development. Integrated planning is now the most widespread approach to settlement of complicated and conflict situations. Integrated planning creates structures or management systems that focus the efforts of different stakeholders to achieve common goals relevant to the whole territory. Different levels of responsibility and understanding of the diverse problems of the coastal zone can be linked together in integrated planning through the reconciliation of different positions. Information exchange, common training and education programs contribute to strengthening of integration mechanisms.

Integration can be vertical (uniting different administrative levels) and horizontal (uniting different sectors), or a combination of both.

It is very important to ensure that the structure of integrated planning not only determines the priorities of coastal zone development, but also controls the process of implementation of plans and management instructions.

3)Territorial classification of plans (depending on special differences)

Plans are usually classified on the basis of the territory covered. There are four or five levels of planning: international, national, regional and local (sometimes a sub-local level is included).

Level of planning (scale)	Role of a plan
International	Solve trans-boundary problems Goal definition
National	Administrative procedures Setting national ideals and principles Focus on priorities
Regional	Putting international and national goals into a regional context Aggregation of local problems and needs to formulate national and international priorities and programs
Local	Involving the local population in the decision-making process
Sub-local	Management of certain problems Implementation of the results of higher-level plans

2.3. General steps of planning:

The consensus approach to planning generally uses the following steps:

-*Identification of the problem:* What are desired results? What needs they are expected to meet?

-*Choice of planning approach:* Who is responsible for the planning process? This step is accomplished by the authorities, so it is part of the administrative decision-making process. Participatory programs and planning structures should supplement each other so that all interested parties are well represented and have an opportunity to participate effectively in the planning process.

-*Identification of purposes and tasks:* This requires the participation of all interested parties. At this stage a method for evaluating the progress of plan implementation should be worked out (substantiation of implementation criteria) Tangible results such as weakening of negative influences on the coastal zone ecosystem can easily be measured and evaluated, but some results are not so easy to assess – for example the degree of satisfaction of the local population with certain factors or improvement in the aesthetics of part of the coastal zone.

So parameters of plan implementation status should be negotiated with all stakeholders at public consultations, discussions and meetings.

-*Data gathering and analysis:* This covers all types of relevant information: biophysical, social and economic. As already mentioned, information can be obtained through participatory programs; this method is particularly useful in situations where there are no other sources of information.

-*Formulation of options and management principles:* There are usually several different ways to achieve the same goal. So, at this stage a set of alternative solutions to a problem is formulated. This process is most effective if a creative approach is used, such as brainstorming, discussion of the situation in groups, or the Delphy method. Each option will have its advantages and drawbacks, often not easily comparable. So, at this stage it is important to analyze carefully all the diverse consequences of each option.

-*Choice of the best option and ratification of a plan:* This is carried out by the relevant committee. The committee chooses an option (program) after consideration and evaluation of the options formulated in the previous stage. The choice depends on several factors: ease of implementation, available resources, public opinion, current state policy etc. Sometimes the ease of implementation factor is criticized because of its ineffectiveness in the long-term, but it may be important when a situation requires prompt action. The planning team needs to ensure that recommended management measures and principles are coordinated and consistent with other management plans; otherwise the plan will be difficult to implement. The life span of the plan is defined at this stage – all interested parties and managers should know when plan implementation status will be checked and results evaluated. The life span of a plan is usually between 1 and 5 years. After all these questions are settled the plan is submitted to the relevant authority for consideration and ratification.

-*Plan implementation:* This stage starts at the moment when the plan is ratified and covers its entire life span. It encompasses management of day-to-day activities within the framework of the plan.

-*Monitoring:* The parameters and criteria identified to assess the progress of the plan at the identification of purposes and tasks stage are applied. New information, changes in state policy and public attitude can make these tasks and purposes obsolete.

Managers have at their disposal various tools for plan implementation including programming, staff training, involvement of the local population and other interested parties, public meetings, environmental impact assessment methodology, project monitoring and evaluation.

It should be noted that staff training and development of human resources are important components of plan implementation as they ensure that management teams are efficient. One person, however experienced, will not have all the skills and knowledge necessary for management. Building a team that has a common goal (implementation of a plan) is the answer. If one member of the team does not have enough experience in some field this can be compensated for by the skills and knowledge of other members. A team is a group in which everybody contributes to the common cause.