



UNIwersytet im. Adama Mickiewicza w Poznaniu

CONTEMPORARY CHALLENGES POSED BY CHANGES IN REGIONAL DEVELOPMENT FACTORS: A TERRITORIALY INTEGRATED APPROACH

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FORSED
RESEARCH PROJECT 2015/19/B/HS5/00012
New challenges to a regional policy in the formation
of socio-economic factors of less developed regions

INSTITUTE OF SOCIO-ECONOMIC GEOGRAPHY AND SPATIAL MANAGEMENT
ADAM MICKIEWICZ UNIVERSITY in POZNAŃ

FORSED PROJECT: <http://www.forsed.amu.edu.pl>



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PROJEKT BADAWCZY 2015/19/B/HS5/00012
Nowe wyzwania polityki regionalnej
w kształtowaniu czynników rozwoju
społeczno-ekonomicznego regionów
mniej rozwiniętych



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INTRODUCTION



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INTRODUCTION

The modern rules of socio-economic development show a tendency to its ever **widening divergence**, thus exposing the **poor efficiency** of regional policy measures undertaken so far.

External determinants of development are connected with changes in the economic system, controlled by rules of a transformation that results in the appearance of postmodern conditions of economic activity characteristic of the present stage of development of cognitive capitalism. Those changes are reinforced by globalisation, its symptoms intensifying with the advancing process of economic integration.

What is a real challenge in those difficult conditions is an effective control of regional development factors in order to increase convergence, because the **definition of those factors and the interpretation of the mechanism of their operation keeps changing**, and they greatly differ in space.

INTRODUCTION

Hence an efficient regional policy requires a reorientation towards an **integrated, territorially oriented approach**. This new regional policy paradigm rests on an integrated and dedicated intervention adjusted to individual characteristics of the **territorial capitals** of particular areas that determine various responses to the dynamic socio-economic changes.

NEW INTEGRATED APPROACH TO A PLACE-BASED POLICY

specific endogenous
resources

diffusion of
development effects

territorial capital taking into account specific resources and the diffusion of development effects

REDEFINITION OF REGIONAL DEVELOPMENT FACTORS



The goal of this analysis is to determine changes in regional development factors in the new conditions of integrated, territorially oriented intervention.

The research procedure embraces three stages:

- synthetic presentation of the **theoretical foundations** of and changes in the conception of the paradigm of a territorially oriented regional policy, with special attention paid to the significance of territorial capital, the diffusion of development, and its integrated planning;
- findings concerning the direction of **modern mega-trends** in socio-economic development and their contribution to changes in the factors of regional development;
- identification of the **changing factors of regional development** for an efficient intervention of a regional policy implemented in accordance with the integrated, territorially oriented approach.



INTRODUCTION

The research is conducted in the framework of the OPUS 10-2015/19/B/HS5/00012 project of the National Science Centre, *New regional policy challenges in the formation of factors of the socio-economic development of less advanced regions.*



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Its results will help to work out an **ex-ante model of regional development factors** providing a basis for their operational indexing and for an empirical verification of the assumptions adopted in studies of development differences at a variety of spatial levels in the European Union and Poland.



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THEORETICAL BACKGROUND



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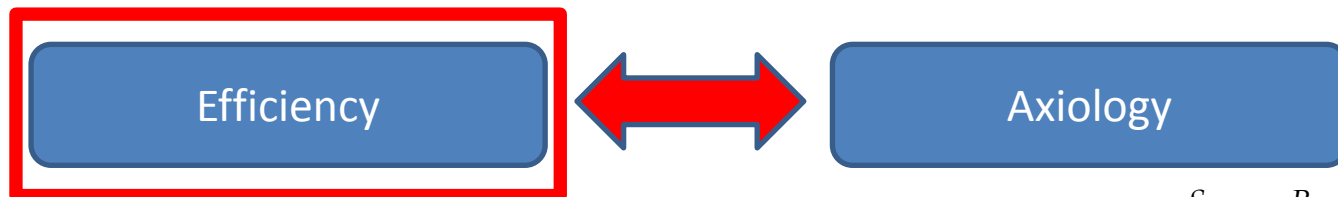
THEORETICAL BACKGROUND

Changes in theoretical approaches, used to explain the regularities of development processes, are based to a greater extent on the **adaptation** to, **modification** or the **integration of classical notions** with new and dynamically changing conditions than on creation of entirely new conceptions.

(Regions Matter..., 2009; Rodríguez-Pose, 2013; Camagni, Capello, 2014)

Theory of economics and economic geography seeks to meet challenges resulting from the need for a better explanation and effective formation of contemporary development processes by the growing process of the implementation of changing theoretical approaches to growth and development in order to justify changes in the **development policy paradigm** both at the national and regional levels.

(Barca, McCann, Rodríguez-Pose, 2012)



Source: Regions Matter..., 2009.



Currently, in the subject literature, there are **three main trends** employed to explain development processes and to form a contemporary regional policy:

- ❑ NEW ENDOGENOUS GROWTH THEORY, primarily changes the interpretation of the influences of development factors and its adaptation to explain the regularities of regional development.

(Aydalot, 1986; Romer, 1986, 1990, 1994; Lucas, 1988)

- ❑ NEW ECONOMIC GEOGRAPHY, emphasizes the necessity of the combined use of localization and international economic exchange theories in the explanation of the contemporary socio-economic development processes which lead to significant differences in different territorial arrangements.

(Krugman, 1991a, 1991b, 1995; Venables, 1996; Puga, Venables, 1996; Fujita et al., 1999)

- ❑ NEW INSTITUTIONAL ECONOMY together with related arguments which emphasize the meaning of institutional determinants for the course and especially for the efficiency of development processes.

(North, 1990; Amin, 1999; Farole et al., 2011; Rodríguez-Pose, 2013; Rodríguez-Pose, Garcilazo, 2015)



□ NEW ENDOGENOUS GROWTH THEORY

NGT

- ✓ a broad approach to capital, next to material capital encompassing mainly human and social capital, including the knowledge and skills created and developed via broadly understood learning by doing (Arrow, 1962; Coleman, 1988; Lambooy, 2005; Cooke, 2006; Rodríguez-Pose, Novak 2013; Camagni, Capello, 2014)
- ✓ technological level and innovations of endogenous nature being the result of a quality of human and social capital, investment of local enterprises, and in consequence, capital market development and growing competition as well as a development policy of authorities directed towards education and R&D
(Grossman, Helpman, 1991; Varga 2006; Doloreux, Shearmur, 2011; Zoltan, Sanders, 2011)
- ✓ free trade and migrations ensuring the exchange (spillovers) and acquisition (agglomerating – clusters, business networking) of capital and innovations.
(Porter, 1990; E.M.Bergman et al., 1991; Phelps, Fuller, 2000; Johnston et al. (ed.), 2003; Asheim et al., 2011)

broadly understood
endogenous capital

technological level
innovations

free trade
migrations

learning by doing - knowledge

local investments - intervention

agglomeration effects - spillovers



❑ NEW ECONOMIC GEOGRAPHY

NEG

- ✓ heterogeneity of space leading to comparative advantages based on broadly defined capital, technology, institutions, infrastructural facilities, markets, natural resources, etc.;

(Fujita, Thisse, 2002; Baldwin et al., 2003; Fujita, Krugman, 2004)

- ✓ endogenous agglomeration forces resulting from non-market contacts of producers, subcontractors and consumers (e.g. knowledge spillovers, business networking, social capital), in case of an agglomeration causing external growing economies of scale and scope based on e.g. Marshallian specialization (MAR), Porter specialization or Jacobian diversification externalities;

(Krugman, Venables, 1995; Brühlhart, 2001; Pohjola, 2002; van der Panne, 2004; Brakman et al., 2004; Capello, 2009; Ascani, 2012)

- ✓ trade costs determined by the costs of overcoming broadly understood spatial resistance (distance, institutions, etc.) leading to polarization or dispersion.

(Martin, Ottaviano, 1999; Baldwin et al., 2001; Baldwin, Martin, 2004; Ottaviano, 2008)

heterogeneity of space

endogenous agglomeration forces

costs of overcoming
spatial resistance

comparative advantages

external economies
of scale and scope

polarization - diffusion
autarky - dependence

❑ NEW INSTITUTIONAL ECONOMY

NIE

- ✓ legal or moral norms, i.e. "a set of principles" modelling certain actions or activities pointing at the determining role of *the social capital quality* to form development processes

(North, 1990; Amin, 1999; Farole et al., 2011; Rodríguez-Pose, 2013; Rodríguez-Pose, Garcilazo, 2015)

„...the rules of the game in a society; (and) more formally, (as) the humanly devised constraints that shape human interaction...” (North, 1990, p. 477)

- ✓ institutional equipment and *de iure* institutionalization of an area giving competence and responsibility to institutions regarding their territorial authority

(Chojnicki, 1996; Maarten, 2001; Shirley, 2005; Payne, Phillips, 2011; Geodecki et al., 2012)

- ✓ institutional development and development institutionalization in modelling resilience reducing threats (i.e. lock-in) and challenges (i.e. elastic adaptation) to path dependence.

(Ross, 1977; Arrow, 1986; Eisenhardt, 1989; Walker et al., 2006; Foster, 2007; Gerst et al., 2009; Hudson 2010; Masik, Sagan, 2013; ECR2: Economic Crisis..., 2014; Drobniak, 2014)

institutional development

development institutionalization

resilience vs. path dependence

legal and moral norms
social capital quality

institutional equipment

continuous adaptation vs. lock in



THEORETICAL BACKGROUND

PLACE-BASED POLICY is a long-term strategy directed towards overcoming continuous disuse of the potential and reducing continuous social exclusion in certain regions by external interventions and multilevel governance. It promotes the provision of integrated goods and services adjusted to the context, and starts institutional changes.

(Barca, 2009, p. 5)

A place-based policy seeks to adjust intervention to:

- ☐ detailed **territorial contexts** and **spatial relations** between them
- ☐ collected and systematized **knowledge** about preferences of **inhabitants and local entities**

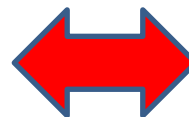
in order to reach a **critical mass** which would have a **lasting effect on development changes** at the European, regional and local levels.

Convergence of the average per capita GDP is not the aim but the result of the cohesion policy!

Focused territorial development policy by Fabrizio Barca (2009):

- long-term strategy development, aimed at a reduction of long-term *inefficiency* (insufficient use of the full potential) and *inequalities* (proportion of people living below specified living standards and/or the range of inequalities between people) in particular *places*
- seeking to create *integrated* and place-adjusted *public clusters of goods and services* by collecting and aggregating data concerning *local preferences and knowledge* via *public participation institutions* and establishing relations with other places
- implemented using the *multilevel governance* system from outside a given place, where grants dependent on *the conditionality* concerning both objectives and institutions are transferred from higher levels of power to lower ones.

Income and development growth
OBJECTIVE: EFFICIENCY



Reduction of inequalities
OBJECTIVE: SOCIAL INCLUSION

innovation
and climate change

migration and demography

skills
and aging



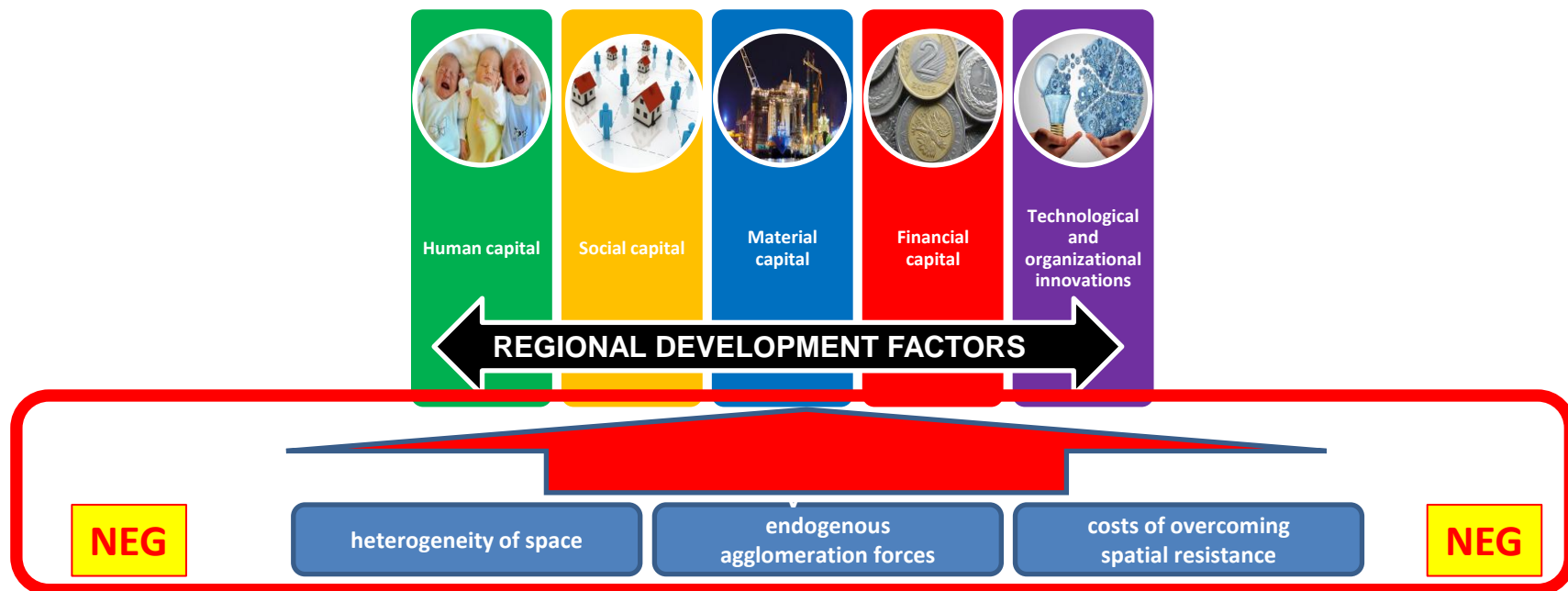
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THEORETICAL BACKGROUND

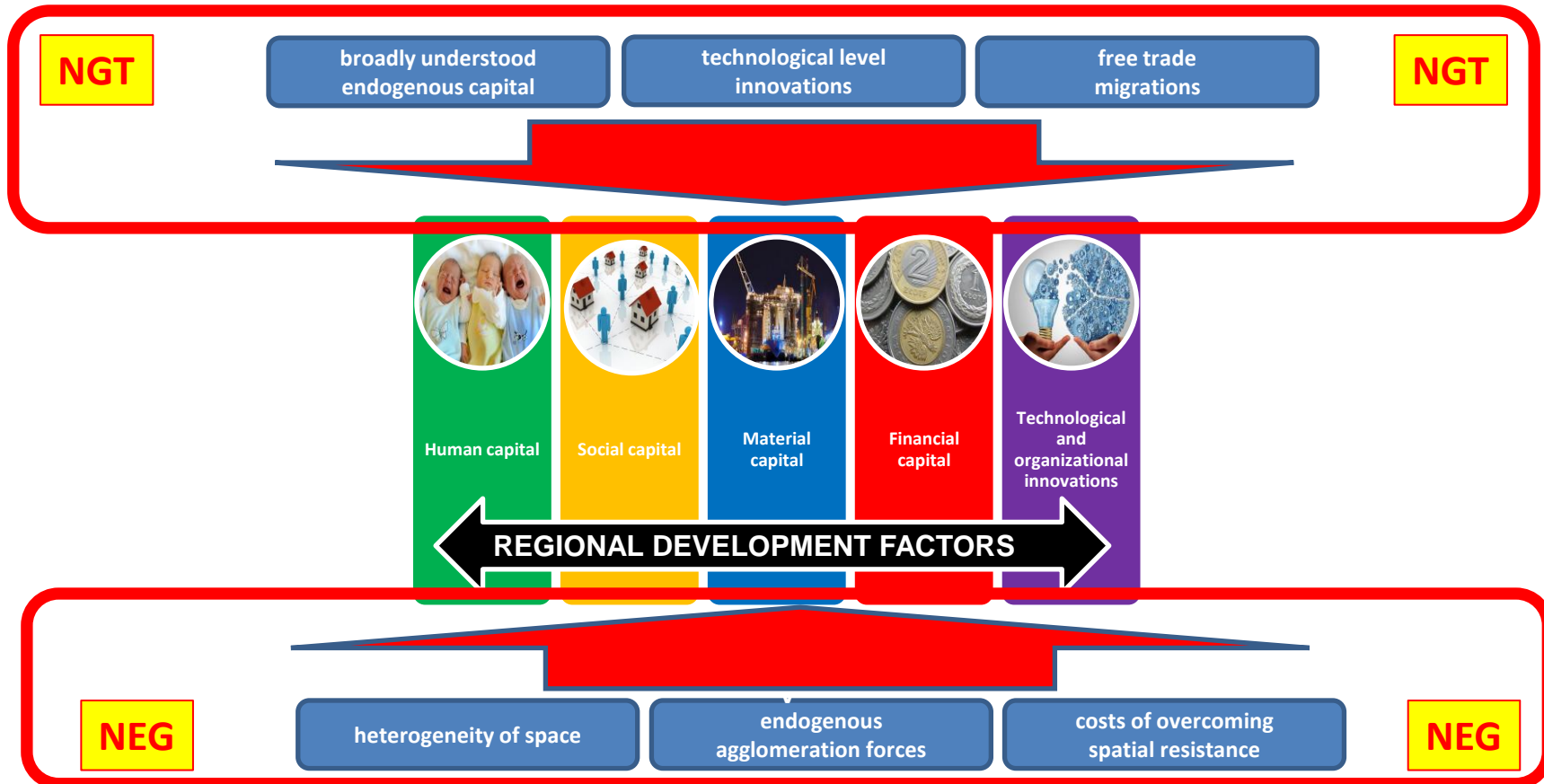
New approach to a territorially integrated development policy



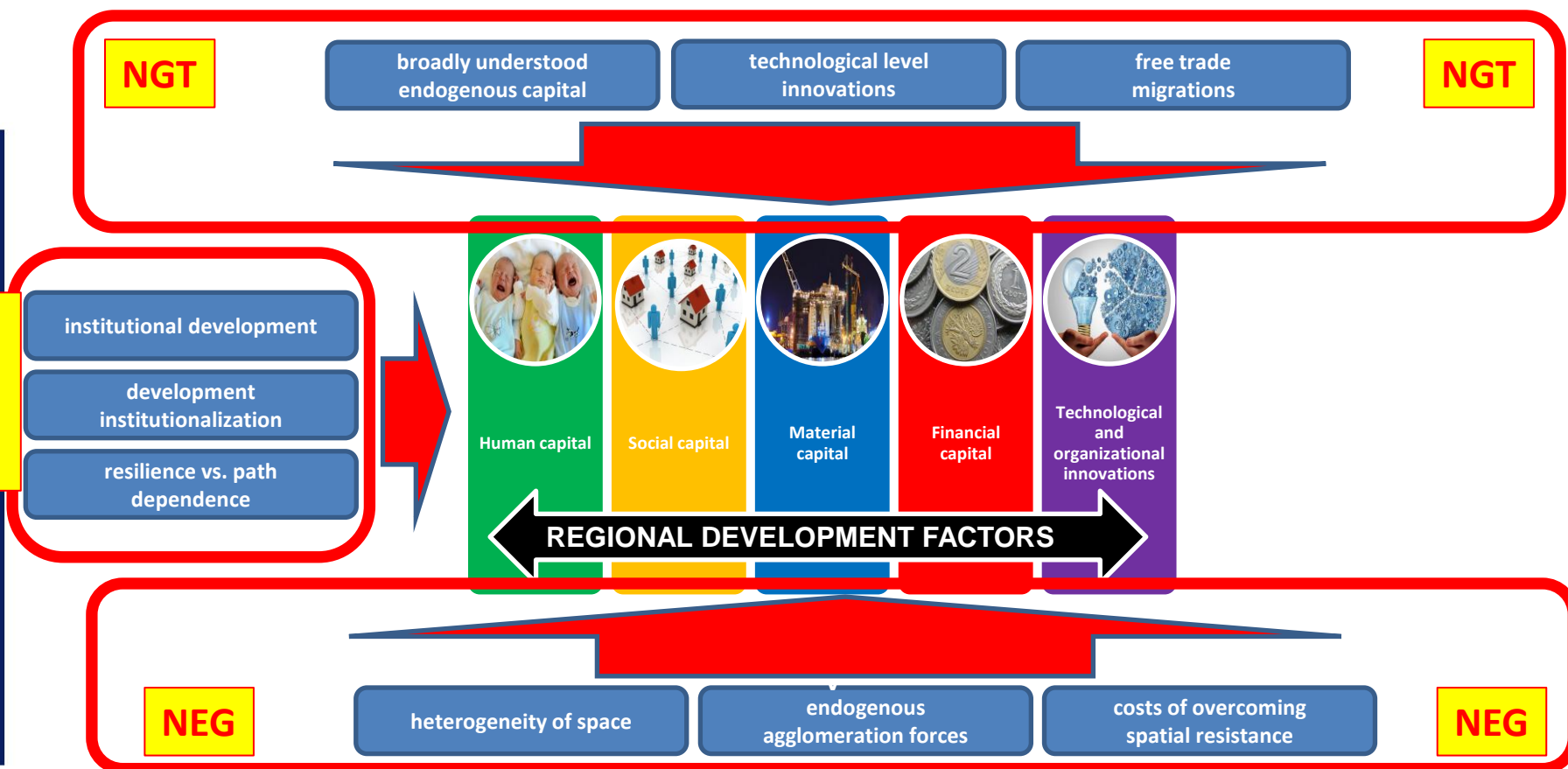
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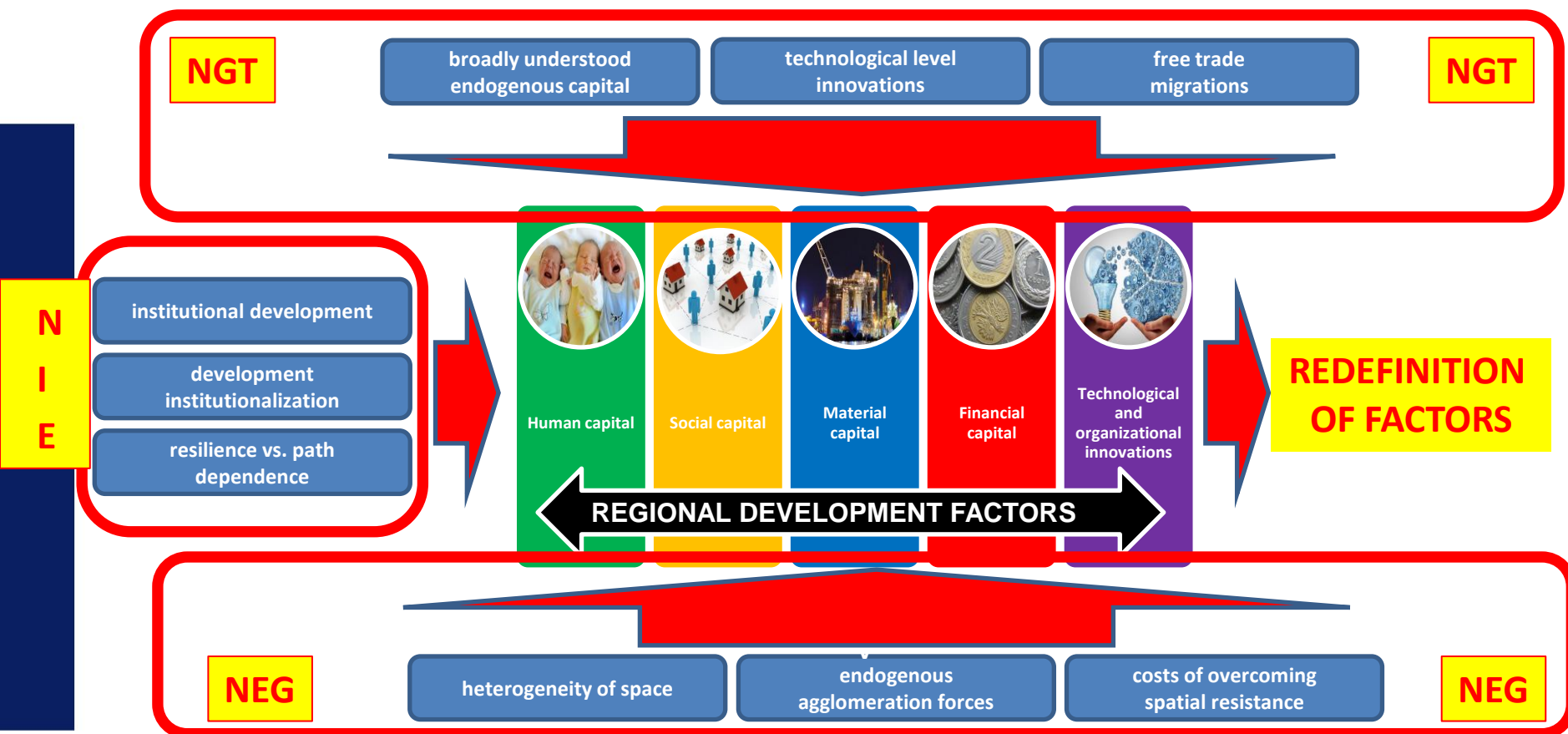
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New approach to a territorially integrated development policy



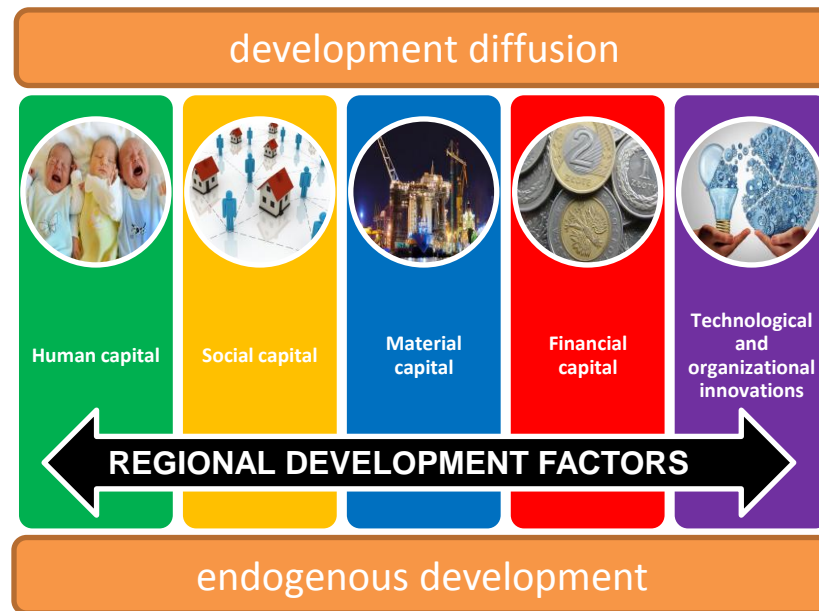
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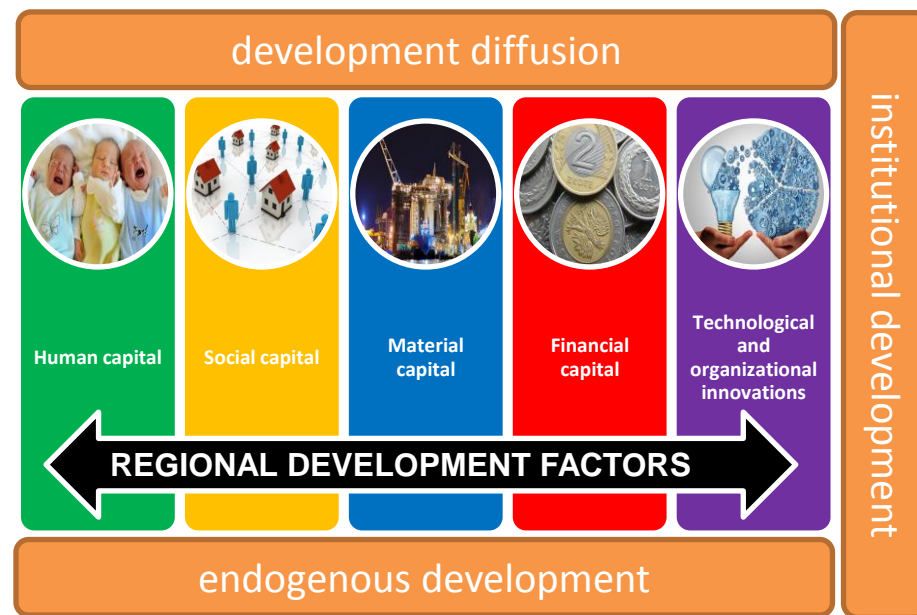
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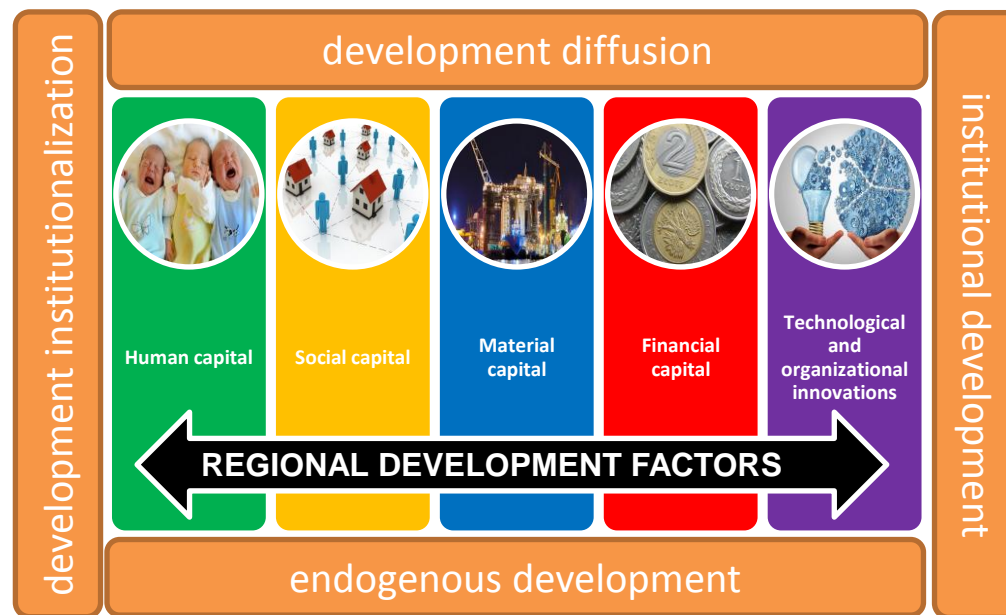
New approach to a territorially integrated development policy



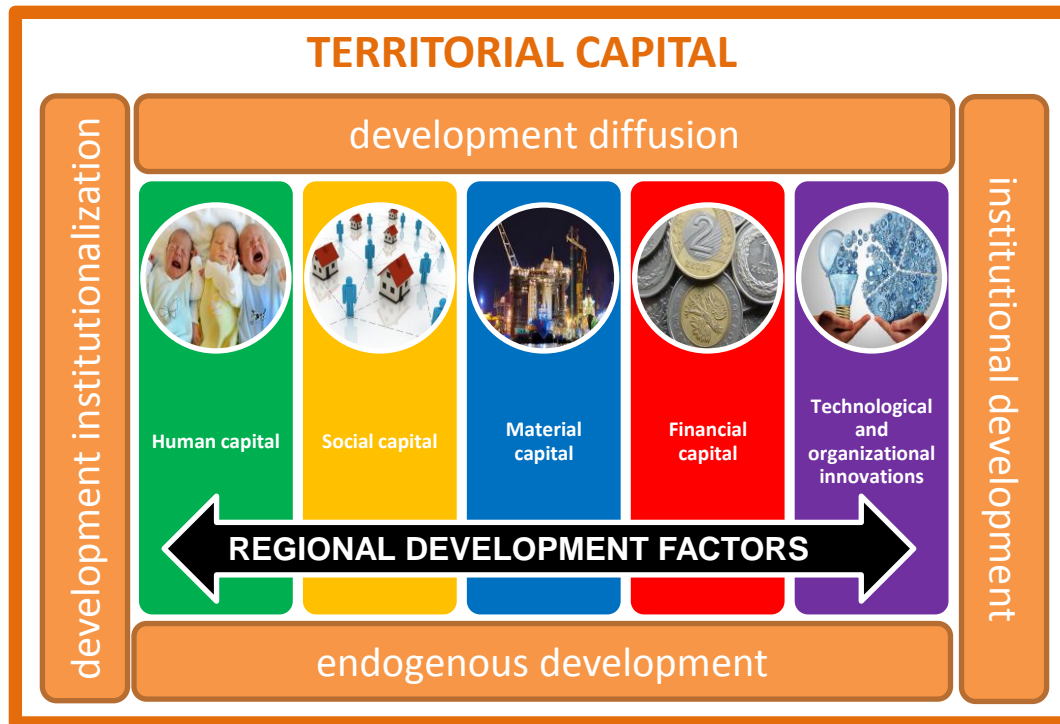
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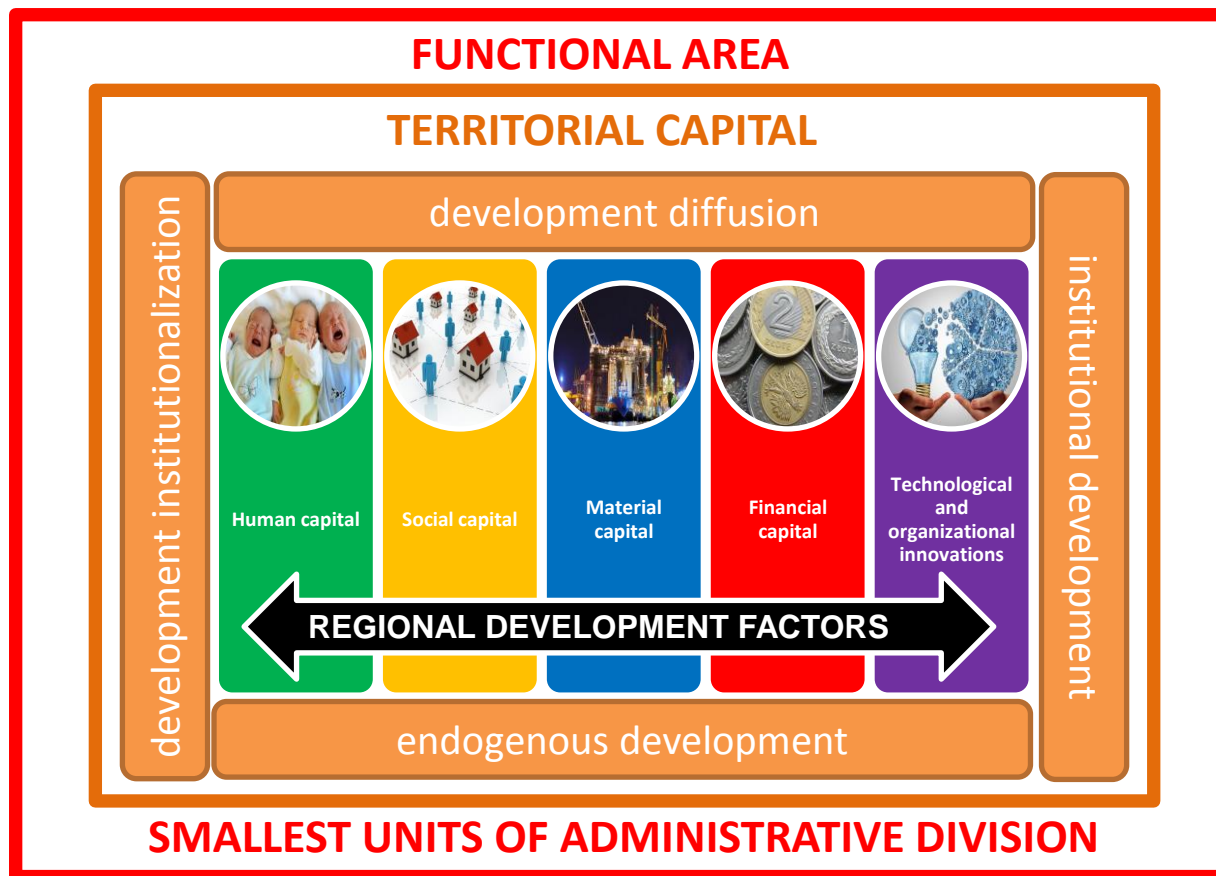
New approach to a territorially integrated development policy



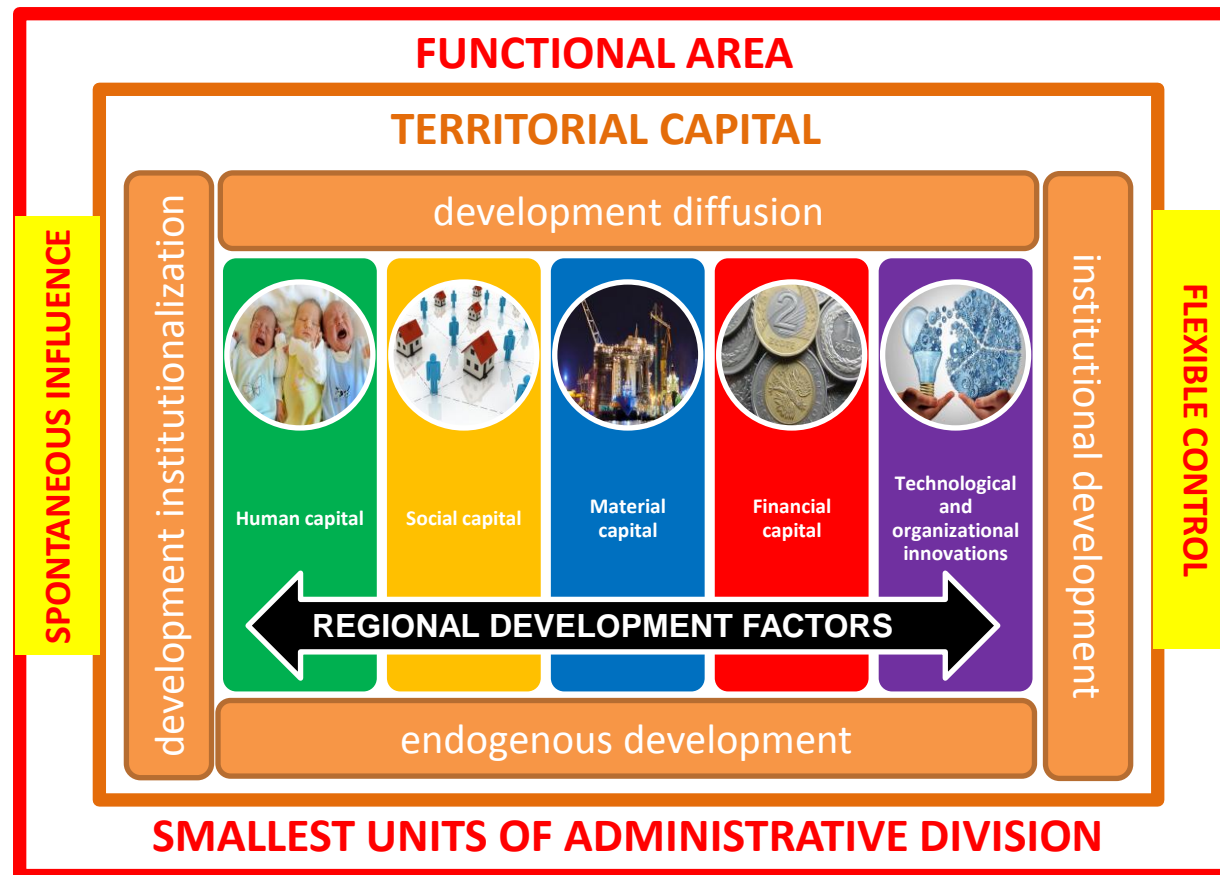
New approach to a territorially integrated development policy



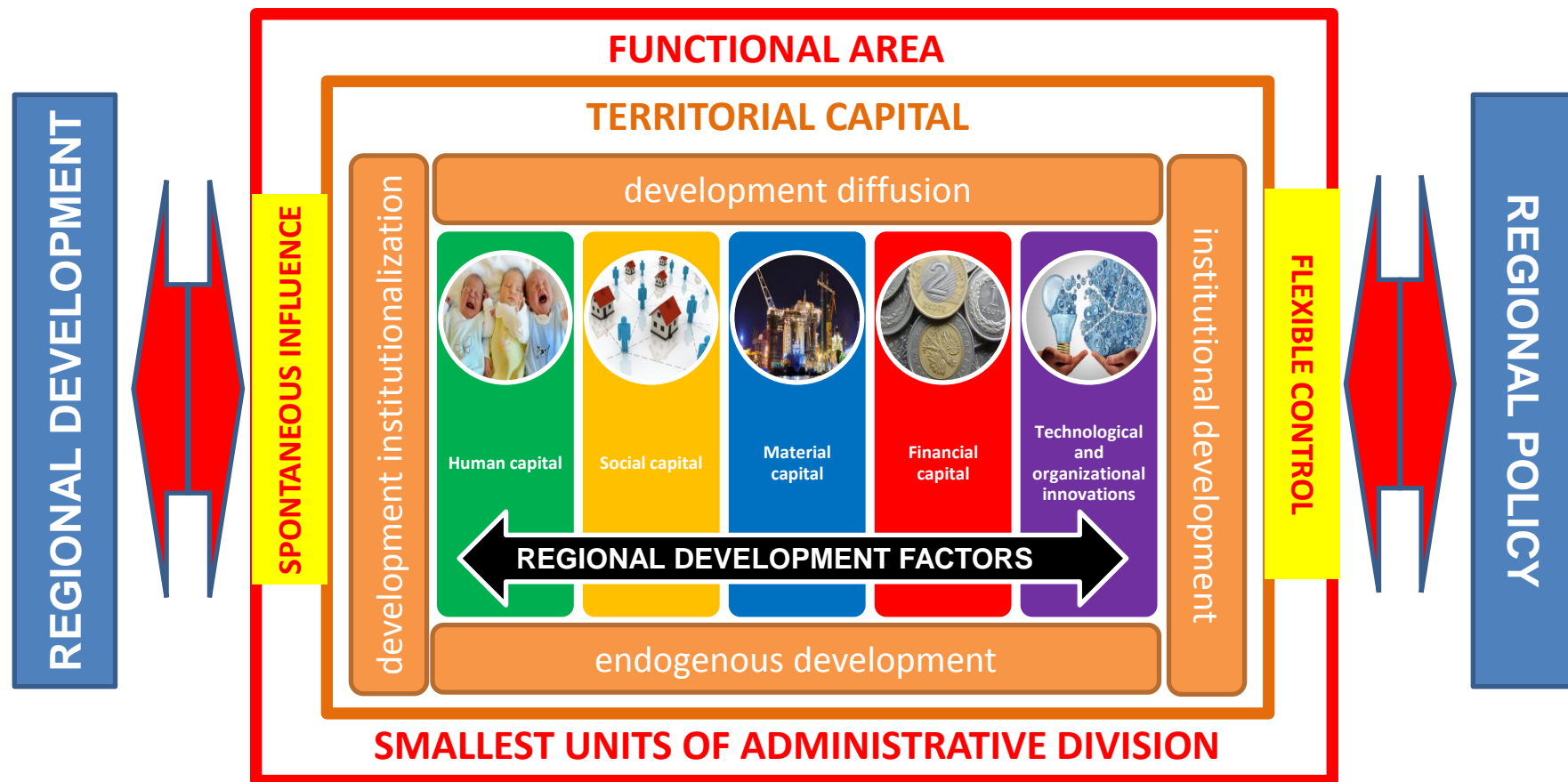
New approach to a territorially integrated development policy



New approach to a territorially integrated development policy



New approach to a territorially integrated development policy





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CONTEMPORARY MEGATRENDS



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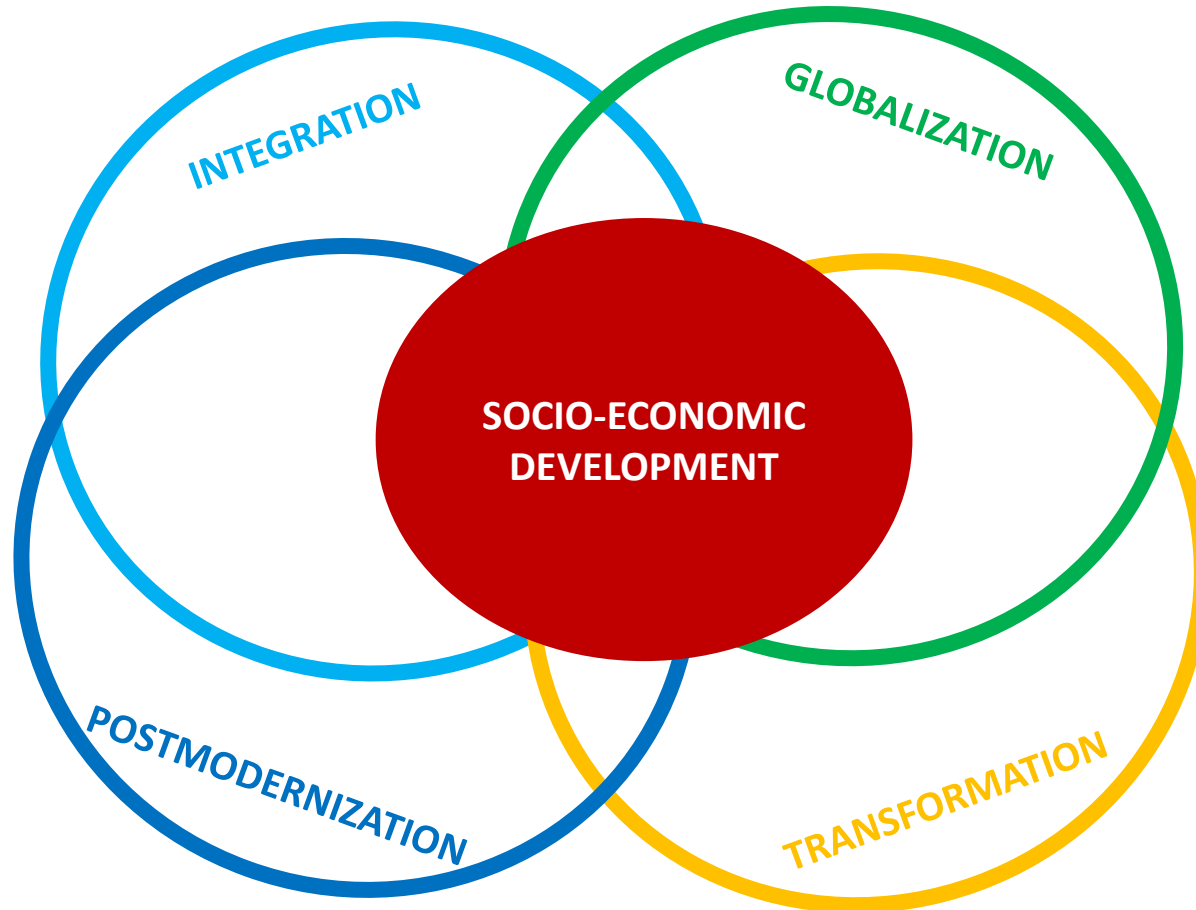
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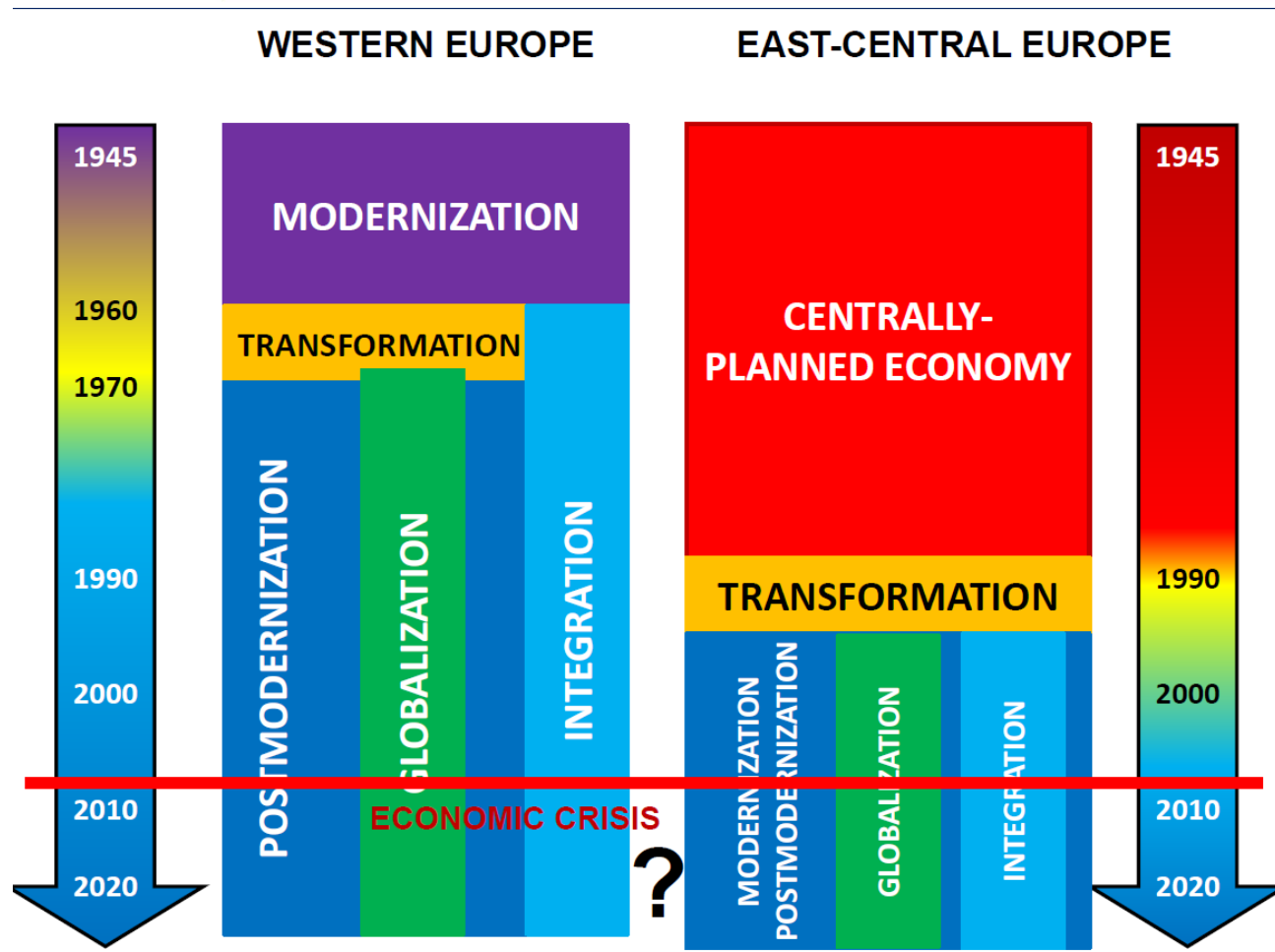
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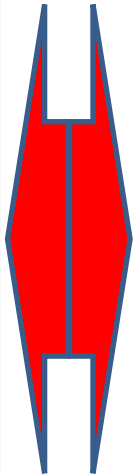
CONTEMPORARY MEGATRENDS



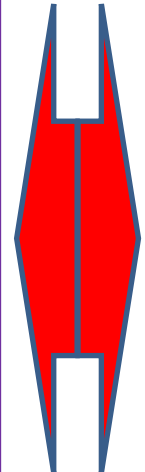


MEGATRENDS

REGIONAL DEVELOPMENT



REGIONAL POLICY



MEGATRENDS

REGIONAL DEVELOPMENT



Human capital



Social capital



Material capital



Financial capital



Technological
and
organizational
innovations

REGIONAL DEVELOPMENT FACTORS

REGIONAL POLICY

NEW INTEGRATED APPROACH TO A PLACE-BASED POLICY



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REDEFINITION OF REGIONAL DEVELOPMENT FACTORS



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REDEFINITION OF FACTORS



REDEFINITION OF REGIONAL DEVELOPMENT FACTORS





REDEFINITION OF FACTORS

MEGATRENDS OF DEVELOPMENT PROCESSES



REDEFINITION OF REGIONAL DEVELOPMENT FACTORS





REDEFINITION OF FACTORS

MEGATRENDS OF DEVELOPMENT PROCESSES



REDEFINITION OF REGIONAL DEVELOPMENT FACTORS



NEW INTEGRATED APPROACH
TO A PLACE-BASED POLICY

REDEFINITION OF FACTORS

REDEFINITION OF FACTORS INFLUENCED BY MEGATRENDS

- **greater balance of labour market** – unemployment as a consequence of transformation, new forms of employment (e.g. outsourcing, offshoring, telework) **"flexible job"** – adjustment to a dynamically changing socio-economic situation,
- **poor adjustment of the education system** to local labour market needs,
- greater mobility of human capital – **external and internal migrations**; **"brain drain"** and **unfavourable demographic trends** → centre – periphery relation,



Human capital
(HC)

SPECIFIC FACTORS IN THE NEW PLACE-BASED APPROACH

- **HC quality** (qualifications, skills, flexibility), formed by a **flexible educational offer**, taking into account regional/local possibilities and needs in the integrated production of goods and services adjusted to a territorial context, enhancing **the level of employability** and reducing the **social exclusion** level,
- **broadly understood mobility of HC** (new employment forms) contributes to an optimal allocation of economic resources and ensures a quick adjustment of labour markets, paying attention to the need of **the accessibility level**,
- **size and HC demographic structure** requiring an intervention counteracting **negative demographic processes**,

REDEFINITION OF FACTORS

REDEFINITION OF FACTORS INFLUENCED BY MEGATRENDS

- increase in negative social behaviour (**social anomie**) – resulting from economic pressure,
- growing significance of **social self-organization**,
- development and growing significance of global, national and local **non-governmental organizations**,



Social capital
(SC)

SPECIFIC FACTORS IN THE NEW PLACE-BASED APPROACH

- **SC quality of a bridge type** as a non-institutionalized self-organization form of society facilitates the economic activity **development**, cooperation, knowledge exchange and the promotion of innovative behaviour,
- **SC of enterprises** accumulated by the activities connected with the **corporate social responsibility**, ensuring a relatively better economic situation and improving competitiveness and resilience to crisis phenomena,
- **systemic and long-term intervention in SC** (support from the state) reducing **negative social behaviour (social anomie)**.

REDEFINITION OF FACTORS

REDEFINITION OF FACTORS INFLUENCED BY MEGATRENDS

- **improvement in environmental conditions** and the protection of natural resources mainly due to **the restructuring of the economy** and investments in **physical infrastructure**,
- **improvement in territorial cohesion** by the development of transport and telecommunication infrastructure (ICT),
- various **efficiency of infrastructural investments** – the scale of implementation not always justified,



Material capital
(MC)

SPECIFIC FACTORS IN THE NEW PLACE-BASED APPROACH

- **MC quality** (quick and efficient communication connections – e.g. highways, airports, the broadband Internet), including technologies applied in the economy that improve environmental conditions influencing development processes,
- **MC quality and quantity ensuring territorial cohesion** of an area, contributing to a maximal use of the positive effects of the development spread, and at the same time minimizing negative effects of this process → **"a territory circulation"** influencing the flow and mobility,
- **MC intervention influencing a full use of territorial capital** – minimization of costs of overcoming spatial resistance, maximization of resilience, continuous adaptation to dynamic changes.

REDEFINITION OF FACTORS

REDEFINITION OF FACTORS INFLUENCED BY MEGATRENDS

- diversification of the sources of **financial capital** inflow,
- **increase in incomes and trade exchange** due to access to the international market,
- increase in capital owing to the **intervention of Community policies** (particularly the **cohesion policy**),



**Financial
capital
(FC)**

SPECIFIC FACTORS IN THE NEW PLACE-BASED APPROACH

- **FC quality** determined by the PPP scale and quality, access to flexible repayable and non-repayable instruments and the inflow of FDI (sticky places and the embeddedness of investments) ,
- **wealth of inhabitants** and the **financial situation of enterprises** creating the level of external demand and the **size and resilience of public finances** reducing negative effects of frequent and violent business cycles,
- **development intervention expanding FC with external public means** possible to be flexibly used and targeted at supply effects in accordance with the needs and characteristics of territorial capital.

REDEFINITION OF FACTORS

REDEFINITION OF FACTORS INFLUENCED BY MEGATRENDS

- growing significance of **innovations** in development processes in a knowledge-based economy,
- **innovation development** (particularly in ICT) creates a **new economic space**,
- increase in the dynamics of the productivity and development of the **institutional sphere** of a market economy,



Technological
and
organizational
innovations
(TaOI)

SPECIFIC FACTORS IN THE NEW PLACE-BASED APPROACH

- **TaOI quality** depends on the creation of an environment for **ex-ante innovativeness** (a creation possibility) and **ex-post innovativeness** (a creation effect) taking a full advantage of territorial capital resources,
- reinforcement of **business environment institutions** and infrastructural equipment in accordance with a territorial context, including the one favouring the formation of agglomeration and scale effects leading to the **development of the quantity and quality of TaOI**,
- **TaOI intervention** adjusted to the level and characteristics of territorial capital targeted at knowledge creation and/or knowledge and technology transfer.



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WHAT IS NEXT...



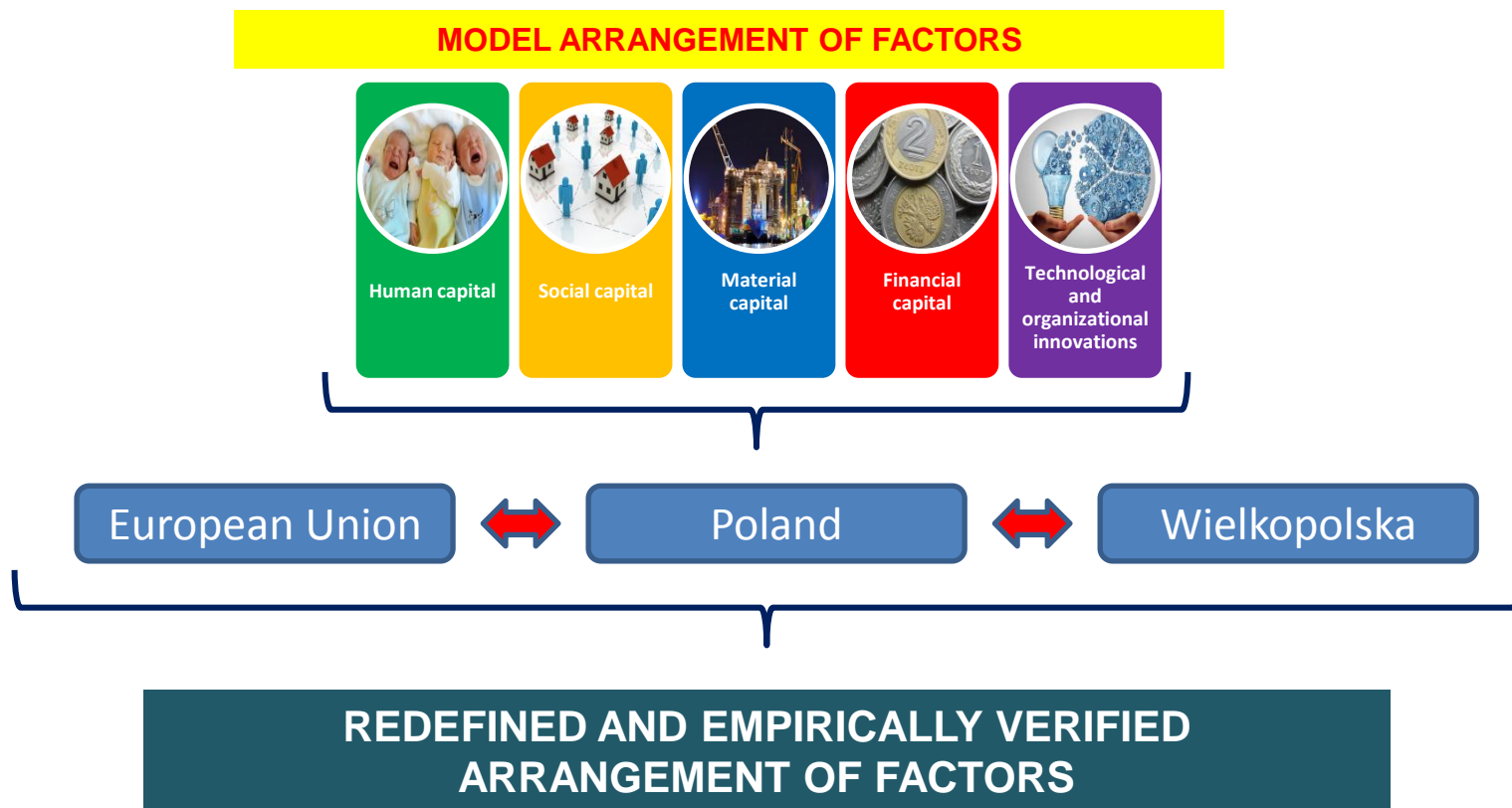
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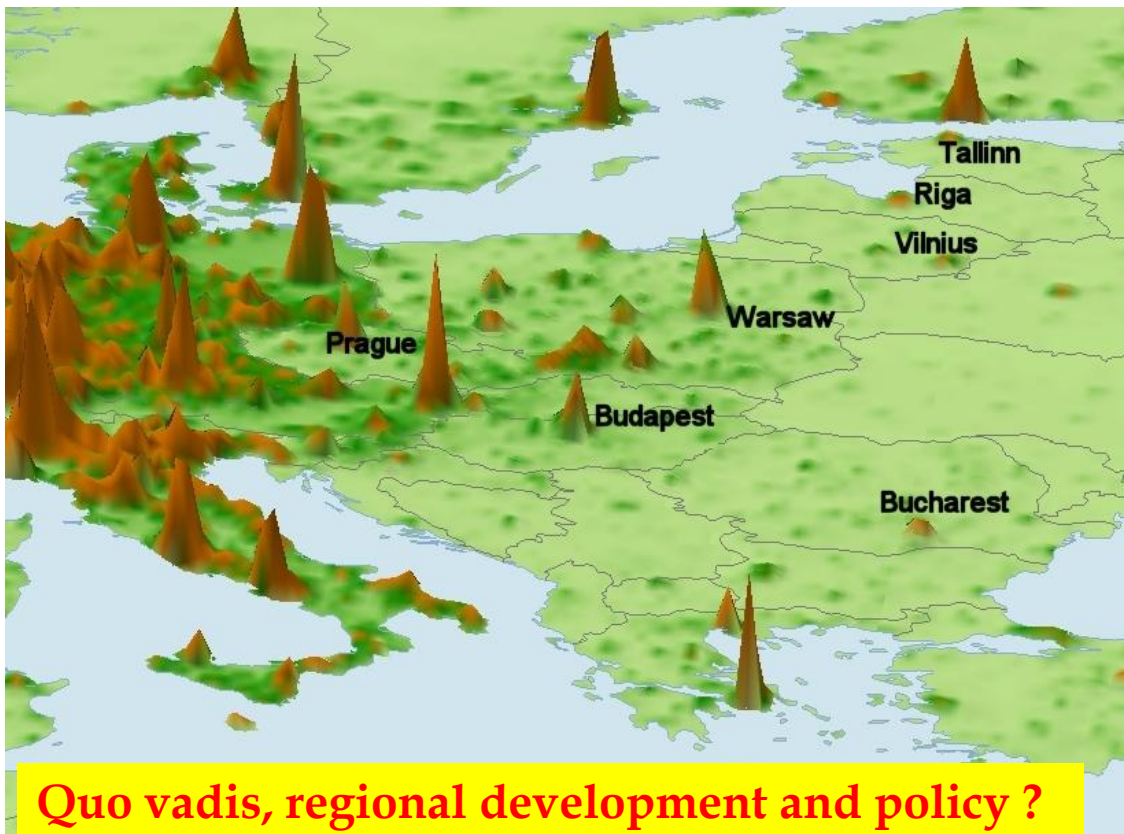
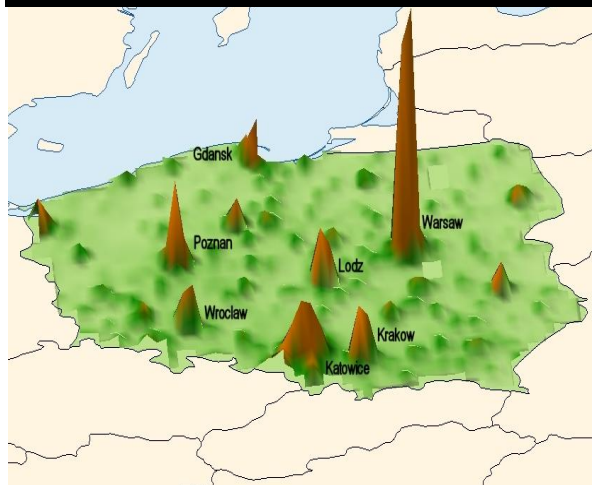
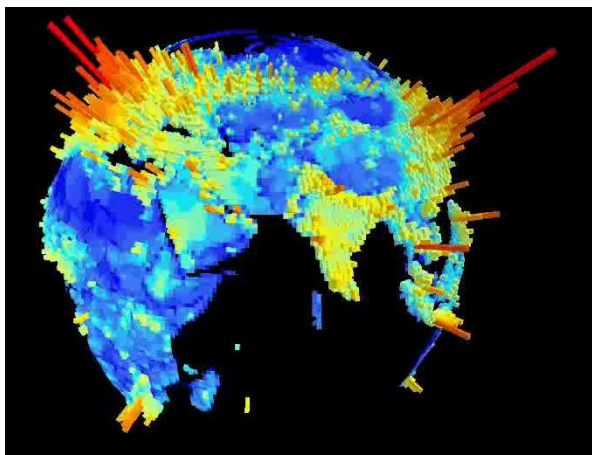
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WHAT IS NEXT...



CONCLUSIONS AND RECOMMENDATIONS



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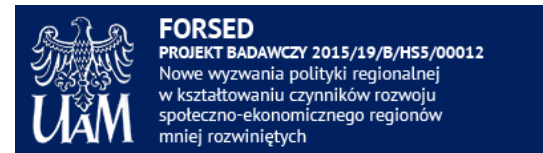
Děkuji za pozornost !
Ďakujem za pozornosť !
Dziękuję za uwagę !



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dr Barbara Konecka-Szydłowska
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