



New Trends in the Regional Development

Mirosław Przygoda

Faculty of Management, University of Warsaw, 1/3 Szturmowa Street, 02-678 Warsaw, Poland

Email (corresponding author): miroslawprzygoda@wp.pl

Abstract: Regions are fundamental components in economic and administrative structures of each country. In present day, we can see the increase of their importance in the global dimension. This process is more and more visible from year to year and takes place on every continent. The regional policy is a special instrument, which serves for realization of topics in this subject. The assurance to equalize and permanent development, is one of the most significant regional policy issues. For areas designated as regions, the idea of development gives interesting perspectives of new possibilities and brings guarantee for better conditions of life to the society. The word: “development”, is strictly connected with the concept of constant economic growth. In the theory of regional policy, from the beginning of the industrial revolution in 18th century until the middle of 20th century, models of exogenous growth dominated. Those ideas were based on capital investment, consumption increase and expansion of big cities and industrial agglomerations. In the second half of last century, it turned out to be economically insufficient. The regional policy needed a new way of development. Scientists, business people and theoreticians of sociology and administration, began to search for a different and more effective method of regional growth. The answer for those efforts was models of endogenous growth. They are concentrated on: human capital, R&D, technical capital, self – government policy and ideas of citizens participation in the management. Those new ideas are opportunities for good prosperity, not only for well – developed areas, but also for poor – developed zones. Today, in the time of global economic stagnation, searching for new solutions in question of regional growth is strongly delimited of those trends in regional development. They opened completely fresh notions and innovative dimensions in the surrounding world in which we exist.

Keywords: Economic stagnation, endogenous growth, exogenous growth, model, regional development.

1. Introduction

Corporate operations and decision-making are widely based on information that has been provided or generated by The term "region" is derived from the Latin word "regio (-nis)". Initially it bore two meanings. The first one denoted the phenomenon of motion in a given direction. The other signified a particular area. The combination of both meanings resulted in a "direction determining space." The part relating to the area dominated, over time, the understanding of the entire term. Currently, it is a popular international word used to define a certain area. In less common translations it can also mean: a land, a province, a locality or a district of the city or the country. It is to be assumed that in the broadest sense, the region is "a relatively homogeneous area separated from its surroundings, distinguished from the adjacent areas by its natural or acquired characteristics, which was created due to noticeable, identifiable factors."

It is advisable to further clarify the concept of the "region". At the moment there are several parallel conceptions that precise the broad approach. For the purposes of this study the most adequate definition seems to be the one that emphasizes only two, albeit very important factors. They are (Chojnacki, Z. (1997), p. 12):

- Human collective,
- Occupied territory.

One can agree that these two essential elements in the vast majority of cases delineate a region. In the overall context, in addition to the delimitation of the territory, it seems particularly important to refer to the human collective as an

entity constituting a certain area by taking it in possession, populating it, and then determining binding norms and adapting it to their own, frequently specific needs.

2. Review of the current literature

2.1 Regional development

The concept of the term "development" should at this point be limited to the category of phenomena having the nature of transformations perceived as positive, that relate to the observed object of research. This narrows down the content of the concept only and exclusively to positive changes, unambiguously perceived by entities interested in the general course of the case. With regard to the development of the region, the economic aspect clearly comes to the fore, leaving far behind other issues integrally associated with it. In this context, the development of the region is usually equated with economic development, describing a long-term process pertaining to quantitative and qualitative transformations. These quantitative changes include mainly: the influx of capital, new investments, increased production, increased employment, gradually increasing consumption and increased income of society.

The qualitative changes include: achieving dynamic technical and technological progress, increasing education, qualifications and work commitment of the labor force, putting an emphasis on the creation of human capital, improving the system of economic relations both inside the country and abroad, modernization of industrial infrastructure, increasing efficiency and tangible increase of the range and quality of services and products (Markowski, T. (2008), p 13). In broad terms, the development of the region is a vast complex of various changes, including goals, needs, priorities and hierarchy of values determined in relation to a particular area. In general, it should have a universal nature. In practice, it is very common to see the process of transformation set to a predetermined and desired direction, resulting from the conditions of a given area. It is important to emphasize that regional development cannot be considered in terms of a simple increase in economic and spatial structure of an area alone. To properly evaluate the entire process described, one should take into account the participation in this phenomenon of a community inhabiting the region, having a sense of their own identity and a clearly distinctive ethnic, cultural and economic character. The community is characterized by: long tradition, daily habits, adopted and professed patterns of behavior. On the one hand, they represent an integrating factor, and on the other an element which distinguishes it from the surroundings.

The concept of development is often referred to as the concept of growth. Both categories can describe the level of the economy from a regional perspective. Economic growth should be seen as a quantitative category, which is expressed by an increase in product per capita. Economic development is a term designating an entire group of broader issues and specific aspects of life of the inhabitants of a given area. They should lead to the improvement of living standards of society within a particular territory. The growth should therefore be understood as a purely quantitative change, whereas the development covers both quantitative and qualitative changes. Occurrence of interdependence between growth and development leads to a conclusion that the occurrence of growth is a prerequisite for the economic development of the region (Bartkowiak, R., (2003), p. 47).

Additionally, attention should be brought to the existence of two significations of the word "development" in relation to regional issues. This scope covers the following terms: "region development" and "regional development". The region development refers to a single region and the phenomena occurring therein. By contrast, regional development describes the phenomena occurring on a wider scale, for example, in a country or at a supranational level.

2.2 Regional policy

Management information systems provide a competitive advantage when the system supports the goals of the Regional policy is a practical tool for ensuring stable economic growth of particular areas. In its essence, is a set of practical solutions and of different concepts, enriched with theoretical models? Actions of national and local authorities using this basis refer to the development of areas distributed within the state organisms. In principle, the use of regional policy aims to effectively influence, as far as possible, the size, directions and speed of development of given areas.

The main objective of the solutions implemented by means of political and legal regulations is to introduce changes to the structure of the already functioning social and economic structure as well as to the spatial arrangement of a given

territory. (Strzelecki Z., (2008) p. 78). Both the scope and the nature of regional policy have deeply evolved over the decades due to continuous transformations taking place both in particular countries and all across the world. Its leading priorities have changed to a great extent. Objectives and tasks were modified as a result of social and political transformations in a given country.

The shape of the regional policy followed intrinsically recurs to a number of previous experiences and achievements of the relevant authorities in this field. It is believed that in all cases it should provide a harmonious and dynamic development of the areas concerned. However, in order to achieve those objectives, regional policy is required to try efficiently to use not only its natural resources, environmental values or favorable climate, but also the unique asset provided by the human factor. In their actions persons and institutions responsible for the regional policy are obliged to select an action plan adequate to the area that they were entrusted to administer. They can choose either to use the already beaten track, or to search for new and often risky solutions.

All actions of these bodies are closely watched and judged by the society and subsequently analyzed by experts in the field. In parallel, attempts are being made to improve and change the methods of region management and the resulting creation of models and interesting scientific theories. At the moment, there is a substantial repertory of concepts and theories that describe the regional development and growth. They are arranged and grouped according to various principles and criteria. One of the most universal classifications uses the division of all theories of regional growth into those of exogenous and those of endogenous nature.

2.3 Theories of exogenous growth

Throughout the entire 19th century and most of the 20th century, the most common explanation of the issues and problems of regional development were exogenous growth theories. They assumed a significant impact of external factors on the pace of economic and social progress in less developed areas. According to these concepts, areas of faster development and those more advanced economically, forced the less developed regions to grow, in a way "dragging" them up. The dominant economies of developed countries imposed the speed and the rhythm of technical and cultural progress to underdeveloped countries and regions. Exogenous theories logically explained the phenomenon of achieving higher growth rates by the territories developing slower in relation to the highly industrialized countries. This was explained by the use of ready-made patterns and by the technical and organizational solutions, by following the "beaten" paths of development, by the use of knowledge and experience of the western experts and, above all, by the blessed "inflow of capital from external (foreign) sources." The group of exogenous theories includes: classical and neoclassical theories of economics, the Keynesian model, and, most importantly, theories of sustainable and non-sustainable regional development. Until the early 80s of the 20th century, the theoretical assumptions of the exogenous concepts coincided, in most cases, with the course of economic phenomena observed in economic practice. Today still, these theories are being corroborated. This is clearly visible when one compares, for example, the growth rate of Poland expressed in GDP with its largest trade partner, namely the Federal Republic of Germany. Poland, for several years weaker and economically less advanced, successfully catches up with the largest and the most dynamic economy in Europe. A similar situation pertaining to economic relations took place with respect to the progress rate of underdeveloped Ireland and the industrial power of the United Kingdom. This was the situation until the outbreak of the recent financial crisis. Later on, due to radically changed global conditions, the exogenous growth theory regarding these two countries was not valid anymore.

2.4 Theories of endogenous growth

By the end of the 1980s an economic phenomenon beyond the established rules of exogenous development was observed. The economy of the United States (U.S.) showed a much faster growth rate than the strongly associated economies of Latin America and the developing countries of Africa did. In accordance with the established rules applicable so far, weaker countries that followed the "beaten" path were supposed to develop faster than the U.S. This, however, was not the case. It provided the basis for the hypothesis those factors other than just external maybe of significant importance for the development of countries and regions. Focus was brought to internal factors.

The new idea described the growth created by the forces and capabilities of a particular economic system. The concept of development based on this premise led to the so-called endogenous growth theory. Basically, it was about several converging theoretical concepts which show clear similarities and common elements. The endogenous growth theory

aims to prove that the long-term rate of economic growth depends on several crucial factors (elements). The most important of them are:

- investing in human capital,
- investing in technical capital
- funding research and development
- Economic policy pursued by local governments.

Human capital and material assets (technical capital) together form productive forces of a region. The theory described is the first example when the role of human capital was emphasized so strongly in theoretical concepts. The labor force is not, as it was previously believed, only the number of people employed, but a value in itself. By investing in education and further training of employees, using their specific skills and experience as well as encouraging them to pursue creative activity, employing institutions can gather unique human groups that shape the character of the region. In this context, human knowledge resources seem to be the most valuable ones. It is on them, and not on raw materials and invested capital, as it was the case until now, the development of various areas should be based (Drucker, P., (1999), p. 14).

The second element of the productive forces is the level and the advancement of technical infrastructure. Investments in its modernization and expansion create the new value of accumulated material assets, called technical capital. The third important factor is the expenditure on research and development (R & D). They lead to innovations and to technical and technological progress. It is assumed that adequate R & D funding in the relevant field or industry should, after some time, result in a fast-growing and a technologically advanced industry. The fourth factor, a cohesive element that sets the direction of change, should be an active policy of local governments. A policy based on a system of financial incentives and efficient administration, capable of motivating local communities to take initiatives, risks and specific actions.

It should be noted that the theory of endogenous growth does not mean the complete elimination of foreign influence. It admits certain flows and external movements. The most important of them are: free trade and the flow of human and material capital. Trade contributes to the exchange of innovative solutions used by regions to acquire cutting-edge technologies. Research on differences in income achieved on the regional level showed that trade can be a factor leading to convergence or divergence of cooperating areas (Tondl G., (2001), pp. 7 - 33). An example of the endogenous development drawing on trade and foreign solutions, but using and taking into account its own specifics, was the extraordinarily rapid development of a group of the Far East countries, commonly called "Asian Tigers". Initially the group consisted of only four countries: South Korea, Hong Kong, Singapore and Taiwan. In the first and second half of 1980s, they were joined by Thailand, Philippines, Malaysia, Indonesia and Macau. The common feature of those countries was an unusually dynamic growth of Gross Domestic Product that amounted to several percent per annum and a relatively close mutual location in the region of South-East Asia. The economic collapse of 1997, commonly called the "Asian Crisis", put an end to the accelerated development of these countries.

2.5 Effects of EU regional policy in Poland

Currently in Poland, thanks to money from EU funds, the exogenous growth model is being pursued. This increase, based on the inflow of capital and investment as well as subsidizing selected economic sectors, has been recognized by the state authorities as the best means to remove the gap existing in the level of economic development of particular areas. The government favoring the exogenous model essentially determines the shape and selected directions of regional development.

In case of Poland, the use of financial assistance and support was supposed to contribute to increasing the convergence of weaker regions with the most developed ones. Although the plan of catching up in economic and cultural terms with the United Europe is being successfully implemented, unfortunately another important goal of increasing the cohesion of the entire country was not achieved (Przygoda M., (2013), pp. 244 - 246). This means that the concept of transferring capital to the less developed areas by the means of increased investment possible due to foreign and national funds did not bring the expected results. It turned out to be simply ineffective.

Since Poland accessed the integration group in May 2004, the observable differences in the development level of particular areas became even more pronounced. This is directly affected by the investors selecting the sites to allocate the capital. They consistently direct their attention primarily to areas that offer them better industrial infrastructure, more developed technical facilities, better living conditions, wide-ranging and fast transport network, access to counseling, financial and legal institutions, a wide array of cultural and leisure organizations, comfortable residential conditions as well as workforce with specialized education suitable for their purposes. As a result, despite the efforts made, local government administration of the less developed regions is less capable of persuading the owners of the capital to invest in the area that they are in charge of, compared with the authorities representing more developed and metropolitan areas.

What is alarming in this context is the fact that the state authorities stubbornly cling to the exogenous model of regional development adopted in the past. This can be seen for example in relation to the "National Spatial Development Concept 2030" approved by the government. This official document mainly focuses on the idea of creating in Poland ten leading metropolitan centers. Such a solution is a simple response to external (exogenous) factors affecting regional development, which may be found in well-known concepts, such as the theory of industrial districts of Alfred Marshall, the theory of industrial location of Alfred Weber, the central place theory of Walter Christaller, the concept of sector and region polarization of Albert Hirschman, the growth poles theory of François Perroux, or the centre and periphery theory of Raúl Prebisch. Given the EU financial perspective for the next years intends to allocate much less money for regional development projects and programs, the approach of the Polish authorities may raise legitimate concerns. The question is whether the truncated budget will permit to realize all the goals. But it is not only a Polish problem. It equally involves all regions in the United Europe, which strive to catch up in terms of civilization and economy. At this point, two questions are to be asked: First question: "Is it justified to follow the exogenous model of regional development nowadays?" Second question: "Have all the potential opportunities and factors likely to maintain the desired pace of regional development been already used?"

2.6 New trends in regional development policy

The answer to both questions raised in the previous chapter is provided by the new trends which can be observed in regional policy. We should start by saying that there is a large and untapped potential in solutions and endogenous processes that can act as a stimulant to the desired regional development. The process and in the same time the most promising solution referred to is the granting of administrative functions to regions, increasing the number of elements of direct democracy.

Direct democracy involves direct decision-making by all citizens inhabiting a particular territory. Within it, the community has a greater impact on adopted decisions of major importance for the region or country. The tasks of the administrative institutions operating on a continuous basis at the central or local level include preparing draft decisions of significant importance and making decisions of executive or a purely technical and administrative nature. Such a system involves increased participation of the community in managing the development of a particular area.

Direct participation of citizens in governing the country or in relation to a lower local level cannot be called a "fully separate democracy system." This is because, in the existing reality, the tools of direct democracy are elements merely complementary to the functioning of parliamentary (indirect) democracy. In such case, one can at most state and determine a larger or smaller "saturation" of the operating systems with various forms of direct public participation in the exercise of power. Currently, the most important tools of direct democracy allowing community members to participate in the exercise of power and in the management of a particular area are considered to be the following:

- Referendum.
- Plebiscite.
- Civic legislative initiative.
- Citizens' veto.
- Participatory budget.
- Appeal.

In addition to the plebiscite and civic legislative initiative, the recent years saw the participatory budget as the most popular tool of direct democracy. Participatory budget is currently one of the most effective practices aimed at

involving citizens in the management process of the areas which they inhabit. More and more local governments, mostly urban ones, are interested in implementing participatory budget (that assumes participation of the citizens in its elaboration) as a flexible, politically neutral instrument, which based on a series of open meetings of residents successfully increases the effectiveness of the implementation of the existing centrally determined policy. Participatory budget was born within a series of grassroots initiatives at the beginning of the 90's of the last century. The place of its birth was the city of Porto Alegre with a population of over one million, the capital of Rio Grande do Sul - the southernmost state of Brazil. Participatory budget proved to be a very successful initiative. In a short time, it achieved a huge success. Brazil was the first to be fascinated with the opportunities it provided. In 2008, it was introduced by about two hundred (200) cities of this country, covering more than 44 million inhabitants. Two years later, in 2010, the number of Brazilian cities following the principles of civil budget was estimated at nearly two hundred and sixty (260), with more than 54 million citizens. In the last year of the first decade of the 19th century, at least five hundred and ten (510) urban centers in South America were involved in the implementation of the idea of co-management community. Another place where the idea of participatory budget was enthusiastically received is Europe. In 2010, residents of about 200 cities of the Old Continent enjoyed the privilege of participation in shaping their fate (Kęłowski W., (2013), p. 12). It is estimated that in 2010 there were at least 795 cities around the world where the participatory budget was used. Although participatory budgeting is most frequently used by the urban centers, it is increasingly resorted to in municipalities and larger units of territorial division.

The Swiss Confederation, small in terms of its territory, is considered to be the country to use most elements forming the instruments of direct democracy in an everyday political practice. The reference to its small territory is relevant due to the widespread belief that direct democracy is best suited for small countries. This opinion may be debatable, as in many cases participatory democracy tools are used at the level of large areas, as it is the case in Italy or in some U.S. states.

2.7 Impact on the region resulting from the direct participation of the community in its development

Direct participation of citizens in the management of the region results above all in a much larger impact of the community on administrative decisions regarding the area which they inhabit. This does not exclude the possibility of their participation of a financial or lobbyist character. In the presented concept belonging to the new trends in regional development policy, the author focused mainly on solutions in the sphere of political instruments. Their use translates into a more dynamic social and economic development of a particular territory.

When exogenous financial factors to a large extent are no longer efficient, we must look for new effective solutions. Of course, it would be a mistake to completely abandon the economic tools that have been used so far. The most appropriate procedure in this case is to consider the possibility of reinforcing the results achieved by the use of new (endogenous) factors to the effect of supporting previous achievements.

Such desired supportive effect is provided by the application of direct democracy in the task of managing a region. It is a time-tested method, increasingly used in practice due to its proven efficacy (Feld P.L., Fischer J., Kirchgassner G., (2006), pp. 7 - 27). The most spectacular effects of the use of elements of direct democracy include the following facts (Frey SB, (2010), pp. 82 - 90):

- The community exhibits a greater neighborhood consistency and a desire to contribute to its immediate surroundings and to the region.
- Public expenditure on education calculated per capita is higher than in other areas.
- The budgets of local government units, where the mechanisms involving inhabitants participating in the decisions concerning their "own territory" are stronger, are clearly "more modest" both in terms of expenditure and revenue.
- Regardless of education, age, gender, religion, financial status and income, inhabitants of regions of more developed direct democracy more readily accept the living conditions, civil liberties and actions of local authorities.
- Per capita income in regions where direct democracy is used to a greater extent is much higher than in other areas.

- There is a growing public life-satisfaction (in German - Lebenszufriedenheit) due to greater "saturation" of elements of direct democracy. Satisfaction with existence is comparable even to the effect triggered by revenue increase.
- The rates of taxes and of duties imposed by the local authorities are substantially reduced.
- The scale of tax evasion in the community is very small or even becomes marginal.
- There is a phenomenon of increased influx of people (increased immigration) to areas using solutions of direct democracy.
- Price of land and property increases in areas where the society participates in the decisions about their future.
- A rich social infrastructure is developed in order to satisfy the growing social needs.
- Corruption, lobbying and other abuses of power are successfully combated.
- Innovation and entrepreneurship in the area are promoted.
- Public expenditures and revenues plans elaborated are more "compact".
- New businesses are born and the existing ones, but operating in other fields, open their affiliates or agencies or change their principal place of business, choosing regions with a higher degree of direct democracy for this purpose.

The above examples of the effects of use of the elements of direct democracy show that its introduction at the regional level may contribute to maintain or even intensify the development of the area. Implementation of the endogenous model in parallel to the exogenous one should support the efforts of the regions in increasing their investment attractiveness and encouraging people to settle in the area. This will be mainly promoted by lower taxes, significant impact on the solutions adopted in the economic sphere, increased inflow of skilled labor force, less bureaucracy, atmosphere favorable to potential investors, lack of corruption or abuse by the local authorities, interesting opportunities for self-development thanks to improved conditions of education, increase in the value of acquired land and property in the long term, a stable political situation, increase in the number of investments and mutual trust in the community.

3. Conclusion

Management information system is vital for the development of business, with many benefits that may result from it. The current global economic downturn and the previous deep economic crisis clearly showed that efforts should be made to find more effective means to overcome this adverse situation. The methods of exogenous character used so far proved insufficiently effective in this field. Measures to combat the consequences of the current economic situation can be carried out at different levels. They can be implemented at a regional or national level. Going down to the regional level allows the use of the specificity and uniqueness of an area and of the population inhabiting a given territory. It also provides the opportunity to use endogenous methods of supporting development.

An interesting possibility in this regard is provided by new trends in regional policy relating to the involvement of local communities in the field of participation in the direct management of the area that they inhabit. It may be supported by complex elements of direct democracy incorporated into the economic and legal order of a particular state. In addition to the positive social effects, they provide tangible benefits of economic nature. However, the transition from the system of management by a strong administration to allowing inhabitants to participate in the process of directing the development of the region requires a lot of courage, high awareness and good will on the part of both local and central authorities in every country.

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