ECONOMIES WITH PEOPLE IN THEM: REGIONAL FUTURES THROUGH THE LENS OF CONTEMPORARY REGIONAL DEVELOPMENT THEORY

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ABSTRACT Regional development theory seeks to understand why some regions are prosperous and others not, and what less-prosperous regions can do to improve. Theories of regional development originated in the field of regional economics, based on the analysis of economic dynamics at regional scale. Contemporary regional development theory now incorporates cross-disciplinary insights about how social processes such as collaboration and innovation drive regional economic competitiveness. In Australia, however, the regional development situation is complicated by cultural and policy attitudes that homogenise and peripheralise regions beyond the capital cities. Regional development theory gives practical guidance as to how rural and resource-based regions such as the La Trobe Valley can respond to the challenges of economic restructuring using endogenous development approaches. Yet in Australia, current ways of working regularly undermine the capacities that regions need to succeed.

1. INTRODUCTION

Regional development theory is concerned with the future of regions. It is a multi-disciplinary academic field with a deep practical focus. The study of regional development revolves around a simple but compelling question: why are some places poor, and others prosperous? The question is both theoretical and practical: understanding what makes some regions prosperous can reveal what less-advantaged regions need to do or be in order to succeed in the future. For regions such as Australia’s La Trobe Valley, contemporary regional development theory can help to illuminate the challenges of economic transition and sustainable future development which are common to many rural and resource-based regions around the world.

Regional development theory approaches the question of regional futures with reference to two key concepts: the region and development. Regions are defined as geographic areas with shared characteristics: larger than a
single locality – that is, large enough to have an impact in competitive, global economies – but small enough to enable regular interactions and connections among those who live and work there (Eversole and Martin, 2005, p.3). Development is defined primarily – though not exclusively – in economic terms: as prosperity flowing from high levels of productivity and economic competitiveness. At the same time, this “often dominant economic focus...has broadened since the mid-1990s” to consider other concerns such as social inequality, inclusive governance, environmental sustainability and cultural diversity (Pike et al., 2006, p.24).

Bringing these two concepts together, the idea of **regional development** is based on a powerful theoretical statement: that the roots of national prosperity are located, not at the level of the nation-state, but in the more localised contexts of regions. This is because the region is a scale at which people and organisations (firms and others) interact with each other in localised economic systems, drawing on particular physical, cultural and social resources in their economic activities.

Regional development theory thus portrays regions as potentially powerful economic actors. Nevertheless, when regions try to compete in an increasingly global economy, some do well and some poorly. The successful regions are the ones where people and organisations in the region are able to leverage their region’s unique attributes to generate competitive advantage on the global stage (see e.g. Storper, 1997; Cooke and Morgan, 1998; European Commission, 2006). Regional development, according to contemporary theory, is **endogenous** – driven from within regions. In turn, it drives economic success for nations.

Regional development theory has its roots in regional economics. This specialised sub-discipline was established to focus on the economic dynamics and problems of regions. Analysing economies at regional, rather than national scale, produced the insight that different regions have different economic dynamics and trajectories. Regions within a wealthy country are not necessarily all wealthy, and regions within a poor country are not necessarily all poor. Over the years, regional economics has developed a number of sophisticated tools for measuring and modelling economic dynamics at the regional scale, and comparing the performance of regions on the basis of economic indicators.

Regions are **geographic areas with shared characteristics**; however, they can be defined differently depending on what characteristics are of interest. Regions can be defined according to their shared environment and climate, for instance, their similar economic activities, or their shared identity and social history (see e.g. Beer et al., 2003, pp. 41-56). Regions may be defined for the purposes of administration; these administrative boundaries
may or may not reflect the ‘region’ that residents identify with. Further, in Australia, a single locality may belong to multiple administrative regions (tourism, NRM, electoral, state region, Regional Development Australia [RDA] region), with different boundaries and different names.

Many regional economists define regions with attention to the frequency of economic interactions within a particular geographic space: these are called functional economic regions (FER) (see e.g. Masser and Brown, 1975; Stimson et al., 2011). Regions as defined by economic interactions do not necessarily follow the boundaries of other kinds of regions; Bob Stimson and colleagues (2011) have prepared a detailed analysis of FER in Australia showing how functional economic regions cross over ABS regional boundaries and state borders.

Australian regions have a further particularity; in Australian public and policy discourse, regions are defined as being located outside the capital cities. As distinct from nearly all other regional development contexts internationally, Australian regions are defined, not by what they are, but by what they are not: non-capital-city places. This has significant implications. Not being a capital city, in the Australian context, implies being located outside the country’s centres of economic growth, administrative power, and political influence. Australian regions are thus regularly defined through a deficit lens, and one which systematically overlooks the distinctive attributes of individual regions (Eversole, 2016).

Regional development theory analyses how regional economies work and why different regions perform differently. Unpacking regional economies shows that economic trajectories are ultimately driven by people and organisations. As a lens to consider possible futures for rural and resource-based regions such as Australia’s La Trobe Valley, regional development theory provides guidance about what kinds of social and cultural dynamics create prosperity. Nevertheless, there are significant obstacles in the Australian context. Current ways of working, in which regional development action is driven from capital cities, threaten to undermine the very capacities that regional development theory tells us regions need in order to survive and thrive on the global stage.

2. REGIONAL ECONOMICS: REVEALING ECONOMIC INEQUITIES

Economics has long been a powerful tool guiding policy decisions. Policy makers typically approach development as an economic question, and one that is most easily managed at national scale. They mobilise
national data on productivity (e.g. GDP), employment, investment, and other key economic indicators to inform their priorities and monitor their progress. Yet national-scale data has dangers: it can easily hide deep inequities among regions within the same country. Localised pockets of severe economic disadvantage can remain invisible within large-scale data demonstrating economic success.

When Walter Isard and his colleagues first proposed an economics focusing on the regional scale, they recognised that a finer scale of economic analysis would reveal insights that national-scale analyses could not (see Isard, 2003; Boyce, 2004). Understanding that indicators such as employment, investment and productivity look different depending on where you are, opened up new insights for policy makers. Policy makers were able to identify, with evidence, which regions of their countries were performing well, and which were struggling or ‘lagging’. Regional economics made inter-regional inequities visible, measurable, and subject to analysis.

Regional economics married the analytical lens of economics with the geographical insight that place matters. Over the decades, regional economists have developed a number of techniques and measurements to reveal the workings of regional economies. Further, they have developed economic models capable of describing the interplay of economic factors in regional economies and comparing the performance of different regions. Regional economists’ key insight – that economic questions need to be considered at regional scale, because different regions work differently – remains at the core of much contemporary regional development thought.

3. REGIONAL DEVELOPMENT VIA CATCH-UP INVESTMENT

Regional economists pioneered the regional scale of analysis. In doing so, they made the economic inequities among regions visible. Policy makers faced with data on the reality of ‘disadvantaged’ or ‘lagging’ regions in their jurisdictions, in turn had to grapple with how to respond.

In the early days of regional development policy, policy makers took an exogenous approach to meeting the economic development needs of lagging regions. From beyond the region itself, they identified what was lacking (capital, infrastructure, etc.) to achieve greater productivity. They then sought to stimulate economic development from afar through infusions of key resources.

Exogenous development approaches followed a basic logic common to many development initiatives around the world: if key factors of production are lacking, transferring them in from elsewhere was expected
to solve the productivity problem. Essentially, the approach was to invest in growing productivity to create prosperity: whether through direct investment from government, or indirectly via incentives – such as subsidies or tax credits – to encourage private-sector firms to invest in the region. Infusions of capital, infrastructure, and skills from elsewhere were seen to be the logical way to help lagging regions to ‘catch up’ to more prosperous ones.

This was the logic, but the results often did not follow. The resources invested from afar did not necessarily integrate smoothly into the region’s existing economic and social systems. New resources could easily be squandered on unproductive or unsustainable initiatives. New infrastructure would soon deteriorate without skills or resources to maintain it. And skilled workers who did not ‘fit in’ to local society would quickly move away.

A classic example of exogenous development is ‘smokestack chasing’ – recruiting new firms into a region with generous incentives. Firms that arrive in this way tend, however, to be fleet-footed; they stay for a time and then are enticed elsewhere, leaving regional development crises in their wake. Experience has demonstrated that exogenous investment on its own is seldom enough to turn regional economies around.

4. REGIONAL DEVELOPMENT VIA DISTRICTS AND CLUSTERS

National policy makers frequently feel political pressure to do something about lagging regions, particularly where jobs and livelihoods are under threat. Their direct actions for change are exogenous actions, and they are often a poor fit with the on the ground realities and needs in regions. While regions are unlikely to reject help, this does not mean that the help is particularly useful. Yet there are other policy options. As early as the 1980s, regional development theories were looking closely at the dynamics of successful regions and proposing that endogenous development actions from within regions themselves were driving successful regional development.

The regional development theories that moved to the fore in the 1980s and 1990s focused on the endogenous or internal dynamics of regions. They also moved beyond analysing regional economic dynamics to consider the role of organisations and relationships in regional development trajectories. Early work focused on industrial districts was based on empirical observation of the way that firms tended to co-locate in
particular places. This ‘geographical agglomeration’ provided firms with particular advantages (Scott, 1988; Storper and Scott, 1988).

Agglomeration or proximity supported competitiveness, as firms were able to leverage off each other in ways they could not have done if they were located in different physical spaces. The idea of co-located firms was further theorised in terms of ‘clusters’ of related firms in a place, with a theoretical argument that clusters of firms supported one another to create competitive advantage (Porter, 1990; 2000). Researchers looking for examples of successful regions saw that they contained clusters of similar co-located firms. This work started to seed the idea that the strategic actions of regional firms themselves play a key role in creating regional futures.

This emerging thread of regional development theory also began to consider the social and cultural environment or ‘milieu’ in which firms operated (see e.g. Camagni, 1996). While it had long been recognised that regions have different physical attributes which could create conditions of comparative advantage (such as access to ports, good farmland or a pleasant climate), regional development theorists started to call attention to the way that regions leveraged their attributes to create competitive advantage (e.g. Porter, 1990; Cooke and Morgan, 1998; McCall, 2013). Specifically, social attributes such as high levels of social capital and trust, famously theorised with reference to regional development in Italy by Robert Putnam (1993), as well as cultural milieu that favoured learning and experimentation, such as in the Silicone Valley (e.g. Saxenian, 1994), were argued to be key to the success of regions. Attention to the links between place attributes and economic success demonstrated that the cultural and social attributes of the people in a region could directly influence regional growth (Polèse, 2010).

5. REGIONAL DEVELOPMENT VIA INNOVATION PLATFORMS AND SYSTEMS

As insights from geography, sociology, management theory, and related fields began to percolate into the regional development literature alongside regional economic analysis, theories of endogenous regional development began to take shape. Empirical research demonstrated that regions themselves had internal social and cultural dynamics that directly influenced their ability to be productive, innovative, and competitive on the world stage (e.g. Cooke and Morgan, 1998; Polèse, 2010; Moretti, 2013). These ideas had intriguing policy implications. Regional development theorists proposed that regions – including disadvantaged and
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lagging regions – could intentionally ‘construct’ sources of economic advantage by building on their unique attributes (e.g. Cooke, 2001; European Commission, 2006; McCall, 2013).

Regional development theory increasingly suggested an endogenous approach to policy and practice: the view that “Regional innovation systems cannot be mandated from the top down; platforms for regional innovation must be built from the ground up” (Eversole and McCall, 2014, p.2). Philip Cooke, writing with a strong policy focus in the EU context, argued for the importance of the social and institutional contexts of regions themselves in enabling innovation systems to emerge (Cooke, 2001; 2007; Cooke et al., 2011). He argued that regional policy needed to focus on key areas of economy, governance, knowledge infrastructure, and community and culture (Cooke, 2007).

Nevertheless, it has often been difficult for regional development theorists to articulate who is meant to drive these change processes within regions. While the regional development language proposes that regions mobilise their resources to construct economic advantage, regions themselves do not act. They are geographic places. Within these places, the real actors are the firms, clusters of firms, governments, universities, community organisations, cross-sector networks and other people and organisations, operating separately and together. Understanding the endogenous dynamics through which regions construct advantage means looking closer at who the key actors are, and their actions and interactions in and beyond the region.

The firm has long been a focus of regional development theorising and analyses. Firms formed industrial districts and clusters; milieu were first and foremost theorised as industrial milieu. While attention to ‘social capital’ and ‘milieu’ hinted at the existence of larger social and cultural landscapes, the core focus of regional development theory was on how these larger landscapes impacted the performance of private firms. In the 1980s and 1990s, as exogenous regional development efforts by government fell out of favour, private-sector firms were assumed to sit at the centre of the regional development picture.

By the late 1990s and early 2000s, however, regional development theory began to look beyond a narrow focus on the firm. Theorists started to consider other regional development actors such as government policymakers, universities, and – the albeit fuzzily defined – ‘community’ (e.g. Charles, 2006; Cooke, 2007). The idea of the triple helix proposed that innovation could be driven by the leadership of firms, government, and universities working together (Etzkowitz and Zhou, 2008). These ideas
entered the regional development space, where they were soon adapted to a quadruple helix: firms, government, university, as well as the public or civil society (Woo Park, 2014, Cavallini et al., 2016).

Current regional development theory recognises the existence of multiple actors, in and beyond regions, that influence regional trajectories. Regional economies have people in them, and in the end “people create wealth, not places” (Polèse, 2010, p.151). Local leadership matters. Economically successful regions are those in which knowledge and strategic actions can be mobilised and coordinated across sectoral boundaries (see e.g. Harmakaorpi, 2006). Yet the often-disembodied language of regional development theory can easily obscure the fact that it is people and their organisations who interact (or fail to interact), share (or don’t share) knowledge, and create the conditions for innovation or lack of innovation in particular regional contexts.

6. RURAL AND RESOURCE-BASED REGIONS

Contemporary regional development theory tells us that regional development is an endogenous, cross-sector process where relationships and knowledge play a central role. Each region has its own physical, economic, social, and cultural attributes, which have the potential to create unique sources of economic advantage. For rural and resource based regions – which have not been a common topic of regional analysis in Europe, the UK or the US – these ideas promise practical policy solutions to the persistent challenges of economic vulnerability.

Rural and resource-based regions are those regions without a major metropolitan city that rely on an economic base of primary production. Because of their economic base, these regions face very different challenges than the large city-regions, high-tech corridors or diversified industrial economies that have been the subject of the bulk of the regional development literature. Rural and resource-based regions are often tied to commodity prices they cannot control, and far-away markets that they incompletely understand due to physical and social distance. They often display a high degree of economic monoculture: that is, reliance on a single industry which may be highly cyclical or seasonal. Further, lower population concentrations mean smaller local markets, less available capital, and a less diverse skill base, making it more difficult to generate economic alternatives.

The bulk of regional development theory to date has been developed in the context of densely populated and often highly industrialised regions in the UK or Europe. Much less is known about the dynamics of more
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sparsely populated and rural and resource-based regions. Literature exists in Australia that describes rural regions and the challenges they face in the context of globalisation, yet it does not engage with regional development theory (e.g. Dibden et al., 2001; Gray and Lawrence, 2001). Few efforts have been made to apply insights from regional development theory to rural and resource-based regions.

In 2013, a research program on Regional Development in the Global South began to explore current regional development theory and practice in Chile, Peru, Bolivia and Australia – a cross-section of countries with a predominance of rural and resource-based regions. In 2014, researchers from the Institute for Regional Development at the University of Tasmania made an effort to apply insights from the European regional development literature in the context of the rural North West Coast of Tasmania (Eversole and McCall, 2014). This work documented significant ‘connectivity deficits’ across communities and sectors in that region, and the need for intentional work to encourage knowledge spillovers across social and cultural divides.

In 2016-2017, the Sustainable Regions Applied Research Network was formed across Australia, Chile and Argentina. Researchers and community partners began to articulate and compare some of the common issues faced by rural and resource-based regions in these three countries. These issues included a frequent lack of economic diversification and livelihood vulnerability; natural resource management challenges and conflicts; concerns about social inequity, even in the context of apparent economic ‘success’; and governance issues, or the observation that decisions that affect these regions are often made from afar. These insights, from regional development researchers across three countries, have resonated with a recent anthropological analysis of regional development in Australia (Eversole, 2016).

7. REGIONAL AUSTRALIA: PLACE ON THE PERIPHERY

The Australian tendency to define regions as places beyond-the-capital-cities has consequences for the ability of Australian regions to pursue endogenous regional development strategies. First, the connection of Australia’s rural regions to world markets is vital but poorly supported by urban centres, as people and organisations in Australia’s capitals are accustomed to view regions through a deficit lens. Next, the almost exclusive concentration of governance power in capital cities limits the scope for regional decision-makers to take coordinated and strategic action
for the endogenous development of their regions. The only exceptions are local government authorities, which actually have no power of their own separate from capital-city-based state governments. Finally, resource management conflicts and social equity issues are regularly experienced ‘in place’ in regions, yet they are governed from afar by decision-makers with limited knowledge of the on-the-ground dynamics of particular regions.

Australia is unique in defining its ‘regions’ as separate from its capital cities. The country–city divide has deep roots in Australian culture (Brett, 2011), but has manifested in recent years as a ‘regional problem’ where urban-based decision makers regularly grapple with poorly understood challenges in ‘the regions’ and attempt to solve them from afar. Australian regions are enormously diverse; yet the discourses of Australian regional development policy consistently homogenise them. In this way the regions are conceptually stripped of their unique attributes and problematised as being in need of external assistance. These are not harmless ideas. They have become part of how a whole range of development decision-makers think and act: from capital-city governments to regional residents themselves.

The Australian cultural understanding of what it means to be regional has very real consequences for the ability of people and organisations in regions and capital cities to work together effectively. Because “the logics underpinning regional development policy and practice reflect, and continually recreate, the divide between the capital cities and the regions”, regional development is fragmented rather than networked and strategic (Eversole, 2016, p.132). ‘Regional economies’ are conceived as separate from capital-city economies, even though the former underpin the latter, and the latter provides key services to the former. Regional organisations are often wary of working with capital city organisations; while capital city organisations assume there is limited or no capacity in the regions. It is difficult to establish relationships on equal terms. Synergies are regularly missed.

These cultural ideas and attitudes are exacerbated by political facts: Australian governance arrangements provide very little actual decision-making power at regional scale. This means that regional-scale organisations, while tasked with significant regional development responsibilities, are generally weak and under resourced. Most significant decisions arrive from elsewhere, and resources are managed from afar. This means that it is practically impossible for regions to mobilise their assets and construct advantage in the way that regional development theory suggests. Those regions that do manage to do so often have particular
sources of resources and influence, such as well-connected entrepreneurs and politicians who can advocate for their interests.

The tendency for policy-makers to take a deficit-based view of ‘the regions’ while making decisions for them, is particularly dangerous when aspiring to achieve sustainable development. Sustainable development requires an understanding of context and connections across society, economy, and environment. These connections are experienced at the local and regional scales, where people and organisations interact regularly in specific environments. They are difficult to observe or anticipate from afar. This is particularly the case in rural and resource based regions, where residents depend closely upon the environment for their livelihoods. Decisions made without understanding how things work in particular contexts risk perpetuating ‘development ignorance’ (Hobart, 1998); attempting to solve one problem can easily exacerbate others.

While rural and resource-based regions in different parts of the world share some common concerns, Australia’s situation is complicated by deep-seated cultural attitudes that see regions as peripheral, homogenous, and essentially different from the nation’s capital cities. The case of the La Trobe Valley highlights how easily regions can be problematised from afar. Around the world, rural and resource-based regions face challenges associated with industry transitions. The need to reinvigorate or reinvent resource-based regional economies is a common challenge – and regional development theory gives some practical insights about how to respond. By mobilising people and organisations across sectors, and leveraging local attributes and knowledges, it is possible to construct new ‘platforms’ for regional economic success on the world stage. Yet for Australian regions such as the La Trobe Valley, the ability to generate this kind of endogenous development is deeply constrained by the cultural and policy environment in which they operate.

The Australian experience suggests that the attitudes of powerful outside organizations toward rural and resource-based regions – and the connections that they enable or block as a result – may be as important as internal dynamics and leadership in influencing the ability of regions to innovate. Clearly, the resources and knowledges needed to construct regional advantage on the world stage are not only located within the region but beyond it – in other regions, and in capital cities. When unique regional attributes, knowledges, and within-region leadership capabilities are not recognised and valued by outsiders who control key resources (or by insiders who have internalised a position of peripherality), then endogenous regional development processes will flounder.
8. CONCLUSION: TOWARD SUSTAINABLE REGIONAL DEVELOPMENT

Regional development theory aims to understand the development trajectories of places – specifically, regions. Regions may be defined variously by economic function, cultural identity, administrative boundary, or other roles; but regardless of how they are defined, regions provide a specific geographical area in which development trajectories can be observed, analysed, and compared. Because regional development theory focuses on economic activity embedded within particular physical and social contexts, it has the potential to assist in achieving sustainable development goals (UN, 2015).

Regional development analysis has traditionally focused on the economic trajectories of regions, but its focus is gradually widening. Regional productivity, economic performance and competitiveness have traditionally been the key variables of concern in regional analysis. Yet decades of research with real-world regions has revealed that the dynamics that create economic prosperity cannot be understood without attention to people and their organisations. Firms cluster, cross-sector alliances form; the economy is a landscape of social processes in physical places.

Recognising that economic trajectories are ultimately social makes it more difficult to overlook the deeper social questions of regional development – or, as regional development researchers Andy Pike and colleagues put it, What kind of regional development and for whom? (Pike et al., 2006). Policy imperatives to do something about social disadvantage and environmental degradation now sit alongside traditional imperatives for growth. Regional development research is increasingly engaging with questions of sustainable regional development, recognising that the economic base on which regions depend is intertwined with resources, communities, ecosystems, institutions, history and culture.

In Australia, however, the social and cultural context creates some distinctive challenges. In Australia, regions are understood to be the places beyond, and separate from, the capital cities. This particular definition reflects a socio-cultural context in which capital cities are seen as leaders and decision-makers, while regions are peripheral decision-takers. In the Australian context, both cultural ideas and political institutions work in ways that make it difficult – if not impossible – for regional people and organisations to access and configure resources in the ways that regional development theory tells us will create prosperity.
Regions facing economic transition, such as the La Trobe Valley, are found around the world, and regional development theory provides some guidance as to how they can meet their challenges. Yet this guidance is difficult to follow when regions are regularly problematised by outsiders and subject to policy ‘solutions’ designed from afar. In Australia, regional development policy – despite its ostensible regional focus – often fails to understand or engage with the social and cultural landscapes of specific, real-world regions. Rather, in Australia, the regions are regularly homogenised in policy discourse, and their distinctive physical, social, cultural and historical attributes overlooked.

Regional development theory is a rich resource for regional policy. It can help rural and resource-based regions grapple with their challenges and suggest paths toward prosperity. Strong regional leadership, a strategic understanding of regional attributes, and collaboration and knowledge flows within and beyond the region, can enable regional communities to ‘construct’ sustainable economic advantage from the ground up. People in regions understand their own resources and are well positioned to find options that are economically, environmentally and socially coherent. Yet they cannot do this alone or in a vacuum. Faced with disempowering ideas and structures, and grappling with the consequences of development ignorance, regions often lack the room to manoeuvre they need to create the futures they want.
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