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Antonescu, Daniela

Institute of National Economy, Romanian Academy

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# Theoretical approaches of regional development

**Author: PhD. Daniela Antonescu**  
**Institute of National Economy**  
Romanian Academy

## **Abstract:**

This article is a theoretical review regarding to specialised literature of regional development, trying to provide an answers to a general and actual question of cohesion policy: why some regions develop more swiftly than the others? The answers are given preponderantly by the regional economic science, which was supported during its development by other sciences (mathematics, geography, sociology, etc.).

The regional theories and policies had changes in the last time in their attempt to meet the new challenges triggered by the expansion of the European Community.

Currently, concepts such as endogenous development are already “exiled” by the new theoretic approaches, which are more complex and sophisticated, using notions such as knowledge regions (those regions able to develop based on own resources and adapt to the new competitiveness conditions imposed by globalisation). From this perspective, the new trends of regional policy, after 1990, were focused on regional networks (clusters) and innovation, without losing from sight the development and potential specifics and differences of each area.

**Key words:** Location, regional development, theories of regional science

**JEL Classification:** R1, R10, R11

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[http://www.rsai2012.uvt.ro/data/provisional\\_programme.pdf](http://www.rsai2012.uvt.ro/data/provisional_programme.pdf)

## Historical perspective

The regional science attempted to provide answers to actual issues of economic life: optimum localisation of activities in the area, the calculus of costs corresponding to transport from one point to the other, the distance from periphery to central areas, migration and other demographic phenomena, specialisation, agglomerations, scale economies, etc. It can be said that regional economy and acknowledging its practical importance were influenced to a large extent by the hypotheses and conclusions of the foreign trade theory.

From the viewpoint of economic development, the 20<sup>th</sup> century represented on one hand the continuation of the modernisation process of the human society that began some time before and, on the other hand it signalled the emergence of the globalisation process and of its effects on the general evolution.

Globalisation phenomenon contributed to direct, immediate relationships between various areas of the globe at great distance from one another. Thus, economic activities were transferred to areas with cheap labour force triggering deep social mutations within the occupational structure of the respective area. Also, the presence of some natural resources in a certain region attracted the transfer of financial resources, changing the traditional lifestyle and the basic functions of the state. To this aspect contributed other representatives of the classic economic thinking as well, who by the formulated concepts and by the way in which they attempted to explain certain phenomena with spatial impact have supported the shaping of the interdisciplinary and complex character of regional economy.

At the start of 20<sup>th</sup> century, Alfred Marshall has analysed and interpreted with the help of external economies the advantages determined by the localisation of similar or complementary activities within a given area. Thereafter, Alfred Weber adds a new chapter to microeconomics presenting localisation as an important element to be considered in initiating some activities, next to other traditional economic elements (prices, quantity, etc.).

The period of the thirties represents an inflection point in the evolution of the regional development theory by the way of regarding things and approaching regional issues. Attempting to provide as fit as possible solutions for obtaining an optimum transport cost, W. Christaller elaborates the theory of central places, realising urban hierarchies and analysing the monopoly determined by distance or location.

There are some areas in which the evolution of regional theory interfered and without which this branch of general economy would not have succeeded to ascertain itself. In this respect, the contribution of mathematics to developing the development of regional science cannot be disputed. Even if in a first period which was relatively late considering the moment of its emergence, mathematics did not succeed imposing itself for regional analyses, subsequently, its models and techniques could no longer be avoided. This thing led to the appearance of the first mathematical model of general equilibrium based on spatial/regional elements proposed by August Lösch, fact which contributed to elaborating the well-known general economic theory of regional development.

Up to the sixties, the main characteristics of regional theories consisted in the diversity of traditions and variety of used analyses. The theories of location knew a swift development determined by the aspects envisaged at a certain moment by the main schools of thought and their representatives.

As of the '70s the interest given to location diminished sensibly (without disappearing entirely), attention being paid to regional development and specific phenomena associated with it. New aspects emerged leading to the apparition of some consecrated concepts:

industrial clusters, regional clusters, spatial agglomerations, etc. (B. Chinitz, 1961; R. Vernon, 1962; F.R. Lichtenberg, 1987).

At world level, the theories of economic growth are completed and updated with studies and researches regarding social inequities existing in the development level of some regions/states of the world which are elaborated within some currents of economic thinking:

- ❖ Keynesian approach (basic theory);
- ❖ the heterodox trend (the theory of the growth poles pertaining to Fr. Perroux);
- ❖ classical tradition trend (analysis of the industrial complex);
- ❖ analysis of international inequalities (production cycle, centre-periphery analysis);
- ❖ the works geared towards analysing regional inequalities from the '60s and '70s (spatial division of labour, the researches of J. Friedmann and Stuart Holland);
- ❖ integrated models of regional development (W. Isard, M. Greenhut, 1956).

Another historical moment in the development of regional science is triggered by the emergence of economic phenomena with global impact, which affected the world level in the seventies (the global crisis, the unprecedented urbanization, the emergence and intensity of environmental protection activities). This fact influenced the manner in which were regarded and approached the regional aspects: “the landscapes” which were the focus of attention changed rapidly, underwent significant changes, while the analyses realized by regional theoreticians pursued answers to the new found realities.

The regional issues becomes complex as of the '80s, the implications being difficult to approach and improve. It is the time when new regional theories appear which were focused on the role and importance of governmental institutions and interventions at spatial/territorial level and on those public policies applied to the regional or local level.

Currently, the new trends of regional theoretic approaches are focused mainly on innovative, knowledge factors but, at the same time, they acknowledge the importance of location and of public interventions. The new concepts employed within regional analyses remind us of the diversified space, the stylised space, knowledge regions, intelligent regions, etc. Endogenous development turns into the main point of the new regional theories, being frequently regarded as a new way of observing and analysing economic phenomena taking place at territorial level.

In conclusion, the development of regional theories was realised concomitantly with the development of the human society, following a sinuous, complex and difficult path. The new approaches emphasise the positive effect of the internal factors on regional development, triggered mainly by knowledge, innovation, technological transfer, but also by the natural resources and local preferences.

## **Main Features**

During over 50 years of development, the history of regional economy was interspersed with a relatively high number of approaches, theories and models which focused their attention on localisation and its specific issues. Even though, in the beginning, regional analyses had a relatively simple character (the analysis of a single region or a single sector) once the practical importance of the field was acknowledged the interpretative power of the regional theories and models increased as well. This fact was gradually realised during a long period of time, with ups and downs, with criticisms and praises aimed mainly to the most important aspects that left their fingerprint on the theoretical approaches at regional level:

- ❖ *localisation* –is regarded as the oldest approach and interpretation of the issues at regional level from the history of economic thinking as it emerged already at the beginning of the 19<sup>th</sup> century; with the help of this concept, the first contact of the regional science is made with the elements of the classic economy;

- ❖ *economic development* –is the favourite element of theoreticians, without which economic analyses would not have been complete. The approach of space within general development theories led to improving the obtained outcomes and conclusions.

In the following we present the main theories of regional economy and the way in which these succeeded to impose themselves in one or another current of thought.

### ***Localisation***

Defined as a process of conscious choice of an optimum place for developing a certain economic activity, localisation was influenced in a first stage by the existence of natural resources and, thereafter, by the existence of knowledge/innovation but also by the presence of a certain demand or necessity. Both resources and necessities presented in time variable elements, fact which affected the localisation decision.

Among the representatives with important contributions to developing the theory of localisation we mention here J.H. von Thünen (localisation of agricultural activities), A. Weber (localisation of industry), T. Palandek (monopolistic competition), W. Christaller (services localisation), A. Lösch ( the market identified as key-factor of location) G. Myrdal (the concept of circular and cumulative causality), J.R. Boudeville, W. Isard, A.O. Hirschman, J. Paelinck (polarised economic growth).

The first regional theories had, preponderantly, an abstract character and perhaps a much too simplified approach, as they followed the natural path of knowledge development and adjustment to the complex process of economic, social and environmental developments, etc. Currently, these theories collect important influences from many knowledge fields (mathematics, computer science, modelling, statistics, sociology, etc.) turning more anchored into reality and much more practical from the viewpoint of their usefulness.

During the development of localisation theories there were some milestones that played an important role in shifting towards the next step of their development.

Localisation theories represent the focal point of regional science, their development in time being influenced by the development of some economic activities and the evolution of the human society as a whole. Most of the localisation theories had as starting point the presence of some natural resources in the region, the pursued purpose being to minimise transportation costs, to optimise expenditures for locating specific activities in the areas where provided conditions trigger the obtaining of some very high profit or income sources.

Currently, the changes occurred within the economic activities determined by globalisation, regionalisation and crisis have led to altering the perception on localisation and, implicitly, about the factors that impose the selection of one or another location.

The basic conditions of the general balance of international trade presented in the Heckscher-Ohlin model have opened the way for more realistic interpretations. Thus, the importance of natural resources as main localisation factor was diminished both quantitatively and qualitatively, concomitantly with the change in the transportation conditions (transport means, infrastructure). So, location of some activities should be constituted as the main focal point for both entrepreneurs (private sector), and of the government/regional authorities that can influence decisions with the help of regulations/deregulations and of the regional development policies.

In conclusion, it might be said that localisation is no longer regarded as just a means by which companies or population can sway the optimum development of their activities, but represents an instrument available to territorial policies through which these can influence by targeted actions and specific measures certain development directions.

## ***Economic development***

Economic development represents another important aspect, analysed from the theoretical (and the practical, as well) viewpoint within the regional science. Conceptually, regional economic development is based on a multitude of successive quantitative and qualitative changes that contribute to reaching a high living standard and welfare.

The evolution in time of theories regarding regional development led to the initiation of some economic thinking currents that intended to analyse and interpret the growth/decline stages that took place in certain periods of society's progress within an area.

The evolution of the theories regarding regional development was characterised by periods in which it was largely ignored, but also by stages in which the day's order was dedicated to the specific territorial issues.

The main discussions raised within some economic currents about this topic were focused mainly on the influence factors and their importance in certain stages or periods of time. Hence, it is found that regional development is both the outcome of exogenous factors but in particular of the endogenous ones, their impact being different in time and space.

From the chronological point of view, the exogenous factors were important especially in the first stages of regional growth, their effects being, however, relatively difficult to control.

In the actual development stage, the importance of regional endogenous factors is major as they are influenced by the quality of existing technologies, the regional supply (export) and demand (the capacity of collecting capital and labour force).

### ***Development of theories regarding regional development***

#### ***1. The theory of growth poles or development poles***

The pioneer of this theory, François Perroux, starts from the hypothesis that a growth process does not occur all over, but it shows in varying degrees of intensity in certain points or poles. The diffusion of growth is realised by various channels towards variable terminals from the assembly of an economy. The way in which this theory was defined led to the idea that there are some unclear aspects regarding the definition of the growth poles (for instance, a large enterprise is not considered as a growth pole, or a steel complex is not a growth pole, but turn into growth poles only under the conditions in which around them emerges a system of smaller or large enterprises).

The purpose of the emergence of a growth pole is compromised if there are no transmission channels for the development (trading routes/circuits, credit systems, communication systems, transportation and warehousing infrastructure, qualified personnel, etc.). Also, the existence of a correspondence is necessary between the elements produced in the growth pole and the ones manufactured outside it. In actuality, growth poles cannot function and reach the objective under conditions of isolation.

#### ***2. The theory of circular and cumulative causality***

To the development of this theory, significant contributions had G. Myrdal, R. Prebisch, F. Hilgert and others. The initial hypothesis of the theoretical approach is that mobility represents a perturbing factor. Factors' mobility presents a limited in time utility, constituting a substitutive factor of the other factors without succeeding to compensate the marginal productivity differences emerged at regional level.

A good illustration of the theory results from the direction in which factors shift: shift of the labour force towards rich regions and nations triggers worsening the situation in the poor areas. The emigration source countries must sustain training and education expenditures of

some generations of emigrants. This fact is partially valid also nowadays, the theory having a high degree of applicability.

### *3. The centre-periphery theory*

This theory, proposed by John Friedmann and completed by other regional theoreticians (S. Holland, G. Myrdal, etc.), has at its basis several hypotheses. Thus, the relations existing between central and peripheral areas are considered as true engines of development at regional level. Also, the main effect of the relationship is represented by the emergence of decreasing performances from the central areas to the peripheral ones. In conclusion, the profit is less perceived in the peripheral area while the growth in the central area is determined by export. Labour force and capital leave the periphery and intend the (sometimes very difficult) adjustment to the conditions of the central area.

This theory has a large applicability nowadays, under the conditions in which discussions are led about the convergence between centre and periphery, even though fundamental inequalities are maintained on long term. Also, the specialisation of the regions depending on the natural potential and on traditions is present even today in some countries, but this no longer represents a decisive factor for development as a whole.

### *4. The theory of development in stages*

In accordance with this theory, initiated by Walt Whitman Rostow (1975), the transition from underdevelopment to development can be described as a series of steps or stages that all countries/regions must undergo. Advanced countries, he argued, have already exceeded the “takeoff” stage towards self-sustained growth, while underdeveloped countries are still in a traditional society, or in the pre-conditions’ stage, and must follow a series of steps in order to reach a sustained economic growth level.

The main ideas presented in the theory of development in stages are the following:

- national development is polarised in a first stage, and thereafter is integrated;
- at regional level, development is focused in development centres, and thereafter disseminated to the periphery;
- within urban units progressive decentralisation occurs to the benefit of peripheries

The conclusion of the analyses is that past prosperity can be the bearer of germs for deeper decline, under new economic and technological conditions. This thing is visible today, under the conditions of the current global crisis. The model of a development in stages, with high discrepancies at the beginning and their subsequent diminishment is largely shared in current regional policies.

### *5. Theory of long cycles*

Among the representatives of this theory we mention J. Paelinck (1970), Ph. Aydalot (1976), P. Nijkamp (2000).. According to this theory, space is distributed between growth poles, attraction poles and intermediary regions. The attractiveness of a region is dependent on its capital, on infrastructure, and the stock of information. In its turn, capital depends on investments, on the state of the factors within the region, while migration as internal factor is affected by the level of wages, labour market and attractiveness of the region. Under the restriction of some hypotheses, the evolution of a spatial system and the way in which the diffusion and retention effects are distributed in space can be illustrated.

### *6. Marxist theories regarding regional growth (K. Marx, D. Gordon, M. Castells, N. Smith etc.)*

Within Marxist theories, social changes and development are regarded in terms of inherent conflicts between the capitalist class and labourers. Also, imbalanced development

represents the geographic expression of capital contradictions; urban areas are initially developed by profit accumulation. At the same time, profits are unstable because of fixed investments and increasing competition as result of the newly entered. Together with profit decrease, the area is completely abandoned by companies looking for other locations with higher profits.

These phenomena, triggered by location change depending on profit might lead to eliminating from competition some areas that subsequently will undergo a decline.

Currently, we assist to such regional processes that can be regulated or prevented with the help of territorial policies and of the measures for supporting economic activity in certain areas. These policies can amplify regional integration within a larger capitalist system or can, as well, accelerate the divergence process.

7. *Theory of endogenous development* (J. Friedmann (1970), P. Nijkamp (2011), J. Paelinck (2011), D.L. Constantin (2011))

Endogenous development has as basis putting to good use local resources or traditions. The supporters of the idea regarding endogenous development are, in fact, the promoters of a flexible regional economy, capable of adjusting to the external environment. This type of development generates economic growth and increased regional productivity. Under conditions of economic stability, the companies will promote long-term programmes fact that leads to obtaining regional advantages. This form of regional development is opposed to the uniformity trend, by accepting the variety of cultures, social statutes, technologies and knowledge, etc.

8. *Institutional theories* (A. Marshall - 1920, J.S. Mills - 1860, T. Veblen - 1890, J. Kenneth Galbraith - 1980, Fagg Foster - 1969, Ronald Harry Coase - 1937, Oliver E. Williamson - 1963).

Institutional theories have as focal point an institutional, financial resources and action rules/norms. Understanding this way of functioning determined abandoning the approach of the frictionless economic system and led to acknowledging the importance of transaction costs. Within a society where friction costs exists, ownership or contractual rights cannot be instantly defined, cannot be monitored or transferred without spending resources (financial, human, material, etc.). Transaction costs are regarded as search or negotiation costs for using the market, similar to the administration costs within a hierarchy of private companies.

In the modern market economy, transaction costs reach very high shares estimated in some instances to up to 50-60% from the net national product (E.Furubotn, R. Richter<sup>1</sup>, 1997).

According to theoretical approaches, transaction costs and institutions that generate them are regarded as endogenous variables of the economic model. Economic and political costs are included in the transaction costs which, according to R. Coase are of three kinds: research and information costs (cost of preparing contracts), costs related to decision-making, contracts; signing and monitoring costs.

## **Policies with territorial impact**

By simplifying the image of reality, scientific theories have always intended to understand certain phenomena with the purpose of forecasting them. Most times, the theories were at the basis for substantiating some future actions rendered concrete, as a rule with the help of economic, social, and regional policies, etc.

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<sup>1</sup> Furubotn, E.; Richter, R. (1991), *The New Institutional Economics*, ISBN 3-16-14-5764-1, Die Deutsche Bibliothek.



With respect to regional policy, it managed to draw attention relatively late once the importance of the regional level increased within some alliances or unions of states, when it was noticed that there are more developed regions and less developed ones and an attempt was made to reach a balanced territorial development. Still, this fact should not be generalised: not all regional theories have contributed to developing territorial development policies.

According to H. Armstrong and J. Taylor, up to the present, there were identified *seven main theories that by their formulated conclusions and proposed measures and specific actions play an important role in elaborating regional policies and strategies.*

Substantiating the actions of regional policies aimed to stimulate labour force mobility, trade liberalisation and technological transfer was promoted by the neoclassic theory of economic growth. In accordance with this theory, regional output growth is the outcome of increasing the mobility of the production factors and technology. The core objective pursued by the regional policy – diminishing regional inequalities – shall be reached on long-term as result of the regional convergence process and as effect of increasing GDP/capita.

*Policies pursuing to support regional growth* are supported and substantiated with the help of the endogenous development theory which considers progress as a basic determinant of growth, while technological changes (key aspects of human capital, scale effects, spillover, research-development, supplying public services, etc.) can contribute to reaching a certain degree of convergence and to polarised cumulative growth. Recent analyses performed by experts focused on relationships between economic growth, geography, agglomerations, and innovation-knowledge have proven that in certain regions the new growth models are resembling the ones proposed for the areas of origin. The specific instruments of the regional policy promoted with the help of the endogenous development theory are aimed towards increasing the educational level of labour force, stimulating the business environment by supporting the emergence of new companies (start-up, spin-off) and by a sustained process of knowledge dissemination.

The pronounced social character of regional policies determined some experts to take into account this character when specific measures and actions are proposed and implemented. The social capital is the common element that unites communities and contributes to reaching a high level of human welfare. These things are achieved, as a rule, by incentivising the information exchange and diminishing transaction costs, by facilitating the adoption of collective decision (an essential factor of social cohesion), by appurtenance to certain social groups, etc. Frequently encountered in practice, the substantiation of *regional policies based on the social capital theory* has as central point the social, cultural and political impact on economic growth, focusing on cohesion and social networks. Promoted by Hilary Putnam (1993), this theory substantiated, in a certain period, the regional policy of Italy attempting to explain the large differences existing in the level of the incomes between the rich North and poor regions of the southern part. Regarded as an extra-factor of production, social capital is not taken into account by most regional policies because even if there is increased interest for it in the economic area, still the concept is much too vague and difficult to use in practice (Steven N. Durlauf, 2006).

Currently, the majority of the international trade models have as basis the theories launched by Paul Krugman which take into account economies of scale and preferences of the consumers for diversity. Thus, for obtaining regional growth, regional policies must promote and exploit optimally the attractiveness of an area.

*The new economic geography (NEG)* proposed and promoted by Krugman has as basis the hypothesis that a region is more developed as compared with other regions as result of its capacity to attract new companies and specialised labour force and also due to the fact that it exploits efficiently the scale economies and their variety. Even though the approach has not

an optimistic perspective on the effects of some regional policies, it can be said that it represents a starting point for development strategies that cannot be lost from sight.

Another group of *regional policies is based on elements of evolutionist economic geography (GEE)* focusing mainly on those processes that trigger change. From this perspective, the region turns into a complex adaptive system, the crucial factor being the outcome of knowledge. Technology is defined as a combination between knowledge and competences. Knowledge is divided into: information (data), codified knowledge (books, websites, patents, etc), and tacit knowledge (incorporated into individuals). Information and knowledge become easy accessible, while distance becomes less important as compared with the technological progress. Both accumulation and tacit use of knowledge are influenced by geographic proximity.

*Regional policies based on competition models resulting from export.* The essential mechanism of the models is given by the fact that some regions are more competitive than others with respect to their capacity of export. The competitiveness growth model has as background the Verdoon law<sup>2</sup> (productivity is growth function of total output). Recently, M. Porter completed the model with the idea that the strengthening of competitiveness takes place in regions that present the following elements: good conditions for the production factors, important support for developing industries, strong local demand and a competitive regional framework.

Lately, regional policies and actions focused on *innovation and knowledge*, using the concept of high-tech geographic clusters considered as the determinant factor of divergences between regions. The theories based on innovation have as central point an important mechanism by which companies develop and obtain key-competencies required for rapid increase and success (R. Lawson, 1999). Within their framework, a special place pertains to specialised labour force that distributes and combines knowledge in a complex system. The regions become thus “knowledge regions”, increasing their attractiveness and development level. Urban regions constitute such an example as they are characterised by dynamic workers (*creative class*) and entrepreneurs contributing to regional growth.

From this viewpoint, regional inequalities can be explained as well. Some theories provision the convergence of regional inequalities, while others forecast increasing divergence at regional level. Many theories allow for the differentiation of incomes depending on the regional context.

In recent analyses regarding regional differences within EU, some of the attributes were identified that can be correlated positively with high economic performances, as follows:

- the presence in the region of a group of medium-sized towns combined with other large ones;
- human resources with secondary or higher education, preferably with moderate wages;
- good accessibility and corresponding and varied services (consultancy, finances, etc.);
- institutional infrastructure and support of local authorities rendered concrete in development strategies and partnerships;
- image of the region, the existence of a positive social climate;
- presence of a mix of industries formed by small- or medium sized companies that promote knowledge.

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<sup>2</sup> Verdoon law –scientific assumption based on a direct observation of the behaviour built based on the Myrdal notion (circular and cumulative causality) that has the tendency to initiate growth advantages and of supporting them alone. This represents a reaction to labour productivity and to output growth.

## New trends of regional development

Currently, the specialised literature focused on the issue of regional economies identifies three large general trends:

1. unifying the various theories of localisation and realising a single general theory;
2. regional convergence of theories regarding development and growth;
3. connecting regional development theories and models to current territorial development policies.

With respect to the first trend, it might be said that according to neoclassic economy, the space was regarded as homogenous, the conditions for action being uniform and equal. Also, the factors that acted on localising economic activities were more of a quantitative nature, transportation costs and infrastructure being the main elements taken into account on developing regional theories and models.

The changes occurred within the new regional economic approaches lead to the idea that the attainment of a single general theory of localisation is pursued due to the following premises:

- the emergence of some influence factors of localisation that are very different from the ones present and analysed in preceding theories;
- the increase in the influence of intangible factors (“regional atmosphere”, local synergy, factors corresponding to government, human capital and knowledge, etc.);
- the shift from a functional approach to a cognitive one.

The second trend is the outcome of the necessity of linking regional theories with the policies of regional impact. The specific elements that support the convergence of theories regarding regional development are:

- the theories have a rational and decisional character under noticeable conditions of uncertainty;
- institutional approaches of regional theory that emphasise the importance of rules and behaviours and in which institutions realise transactions within the most protective governmental structures reducing conflicts and favouring mutual advantages obtained as result of performed exchanges;
- the cognitive approach of local/regional economies and of their synergy.

All elements presented above, to which can be added also some traditional, material or functional factors were comprised in the new concept called “*territorial capital*” which becomes thus the focal point of the new regional theoretical approaches, having the following characteristics: existence of natural resources, social capital, public or private goods, agglomerations and externalities, networks, fixed private capital and private services, human capital, entrepreneurship, creativity, cooperation, strategies, partnerships and governing structure.

Currently there is the general opinion according to which regions must develop own levers for competing on a global international market. Thus, development strategies must take into account the link between various endogenous development processes and adopt measures and actions for supporting them. Also, regions must understand which are the factors rendering dynamic the current *economic era*.

In periods of global crisis or recession, theories must aim to understanding and explaining the factors leading to these changes for establishing the necessary conditions for rethinking a new regional philosophy in the new era of innovations within institutional arrangements, triggered by high political interventionism.

It should not be lost from sight that in the literature regarding regional growth of the last years special attention is granted to knowledge and entrepreneurial innovation. Thus,

“knowledge regions” and “innovative cities” proposed by James Simmie<sup>3</sup> (1997) and developed by R. Capello and P. Nijkamp (2009) emphasise the importance of education, research, and technological development as these have a fundamental role in the spatial mobility of production factors and contribute to diminishing regional inequalities on long-term, as effect of equalising productivity in the territory.

A third trend is triggered by an older intention of theoreticians to attain the unification of approaches regarding localisation. Introducing the space variable and taking into account the elements pertaining to localisation and its factors were not present within the first evolution stages of economic thought currents. It can be stated that they were ignored constantly even if evidence proved to be quite different.

At the beginning of the 20<sup>th</sup> century, the modernisation and development of regional economic thinking took place, first of all from the viewpoint of localisation. Claiming this approach manner by both economic science and other disciplines (geography, sociology, etc.) triggered delay in acknowledging it within the general economic science.

The first references to the localisation theory were realised within neoclassic economy, this contributing to a large extent to developing an analysis and interpretation mechanism of space from an economic viewpoint. In a first stage of the evolution of the localisation theory, the hypotheses were built starting from the presence of some natural resources in an area (inputs – raw materials and transportation costs) did not take into account the preferences of consumers. The first theories reached the conclusion that manufacturing companies are advantaged by the localisation in central areas while the residents with low incomes are favoured by localisation at the periphery.

Currently, many of the initial motivations of localisation (transportation costs, resources, distance, etc.) can no longer be found in reality. The new approaches present a distinct interdisciplinary character, fact that led to appropriation or emergence of new concepts and techniques, contributing this way to increasing the practical importance of the field. The criteria taken into account for the localisation decision were adapted and changed meaning that now the emphasis is laid on innovation, knowledge, advantages provided by local/central authorities, existing deregulations, etc. Also, the new theoretical approaches can be based on a series of advanced mathematical instruments, required for qualitative analyses of the behaviour of dynamic non-linear systems (the bifurcation theory, the catastrophes theory, chaos theory) next to other formalised models.

## Conclusions

The theories regarding regional development intended, in time, by simplifying the image or reality to understand certain phenomena with the purpose of their forecasting. Irrespective of the place where they were developed (microeconomic, mezzo- or macroeconomic) these theories presented an increased interest but also stirred some critics and comments.

The acknowledgement of the practical importance of these theories came relatively late and took place within the major currents of economic thinking. In recent times, regional theories are regarded with high interest due to increased and more noticeable economic phenomena of global impact, felt in particular at local/regional level.

The core elements of the regional theories were represented by *location and by growth/economic development*. The localisation decision of an economic activity and its effects in time were analysed and debated in almost all theories developed in the field (the theory of central places, the theory of growth poles, etc.).

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<sup>3</sup> Simmie, James (2004), *Innovative Cities*, ISBN 0-203-25991-2, Taylor-Francis e-Library.

The theories regarding regional development have at their basis the elements of classical or neoclassical economic thinking, some of them reformulated, others adjusted or updated.

Currently there is wide interest granted to regional theories that analyse and support the importance of institutions and various bodies in promoting development at territorial level. Next to institutions, an important role pertains to regional policies that by the established objectives and used instruments might affect both localisation and regional development

In conclusion, deep changes taking place at global level influence the way in which are perceived and approached spatial aspects, determining experts to elaborate regional theories and models characterised by an increased realism compared to former approaches, presenting the dynamics of regional phenomena and processes and using on large scale models and formulas of mathematical nature meant to substantiate policy actions with territorial impact.

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