

UNDERSTANDING REGIONAL DEVELOPMENT PROCESS -A THEORETICAL APPROACH

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The task of building a strong theoretical base for the kind of study attempted here is a complicated one. This is because there is today no one theory of Regional Development that commands universal assent. The popular theories, which are discussed and debated at length in the academic circles and which are assumed to have great reference value, have yet to attain sound analytical structure. In fact, Richardson opines that the state of art of regional growth theorising is very primitive. The reason for this state of affairs in his view is inadequate time and efforts put into the development of regional growth theories when compared to the general growth theories and also the tendency of the theoreticians to make their theories and models more operational and policy-oriented rather than evolving a sound theoretical structure.

Regional growth theory, which is still undergoing a process of evolution, has its own points of weakness. Instead of concentrating on these weak points, we have heavily resorted to the general growth theories with free use of their methods, tools and assumptions in our regional analysis. This excessive reliance on general growth theories has resulted in overlooking some of the distinctive features of regional growth process such as inter-regional factor flows, space, distance and location. Further, there are models, which are highly abstract about the basic concept of space and its zone of influence. This high degree of abstractness has made these models unrealistic, as they do not meet the ground reality.

On account of these drawbacks, there is now no single theory which can comprehensively explain the overall development process in a given region, in general, and that of a backward region, in particular. At present, we have numerous theories, which give us only partial insights into certain aspects of the process of regional development. Keeping this general condition of the present status of regional growth theories, a humble attempt has been made here to review some important theories of regional development. It is hoped that this review would be quite helpful in analysing various aspects of the development of a region, clearly and comprehensively. This facilitates the construction of a sound theoretical framework giving valuable insight into the intricate process of regional development.

With this background, this analytical paper tries to capture theoretical insights given by great theoreticians of relevant subjects with the following objectives:

1. To understand the dualistic pattern of the regional growth process.
2. To seek answers to the question, why growth concentrates in the initial stages.
3. To understand how the growth dispersion process takes place in the subsequent stages of development.

Since this paper is purely a theoretical analysis, descriptive and analytical methods have been adopted. Original contributions from theorists have been referred to and their interpretations by other scholars are made use of. In fine, this is an analysis of the multi-dimensional nature of the regional development process with an interplay of centrifugal and centripetal forces.

Dualistic growth process

Most of the theories of regional growth point towards a dualistic pattern of development, wherein certain spatial units tend to develop faster than the rest of the region due to a number of natural, historical and locational factors. This phenomenon has been illustrated by Perroux in his classical article on growth pole, in which he has stated that growth does not appear everywhere at the same time; it becomes manifest at points or poles of growth, with variable intensity; it spreads through different channels with variable terminal effects to the whole of the economy.

The neoclassicists attribute dualism in income to the malfunctioning of the equilibrium mechanism. Such malfunctioning occurs mainly because of market imperfections and institutional constraints which hinders proper factor and resource movements, adversely affecting efficient regional allocation of resources. In their view, economic growth takes an uneven course and any deliberate attempt to even out the growth process over space can only be achieved at the cost of reduction in overall national growth. They assume that the entrepreneurs behave rationally while planning their locational and investment activities and they obviously concentrate on those places where profits are high. Similarly, factor labour always tends to move to those places where wages are high and job opportunities are more. Thus, there is harmony and self-adjustment in the system brought about by the free play of market forces which ensures work to move to where labour is available or labour to migrate where jobs are plentiful. This brings about a balance between supply and demand in the long run. Any inequality in profit, wages and employment between different regions is only temporary and frictional by nature which automatically tends to be eliminated by corresponding capital and labour movements.

Myrdal and Hirschman deviate from this assumption of the equilibrating mechanism of market and questioned its effectiveness in reducing economic disparity at the subnational level. They distinguish two types of effects, which in their view are mainly responsible for the dualistic patterns of development. These are 'backwash' or 'polarization effect' and 'spread' or 'trickling down effect'. The backwash effect is regarded as 'unfavourable' as it leads to the flow of labour and capital out of the periphery in search of higher returns in the core. This leads to depression in the economic activities of the periphery bringing about further economic degradation. The spread effect, on the contrary, is 'favourable' for greater balancing of developmental activities as it paves the way for the inflow of investment activities from the core to the periphery, the process is mutually reinforcing, as there will be exchange of goods and services between the core and the periphery to further its own developmental activities. In the process, new core regions may develop having their own sphere of spatial influence. A relative balance between these two effects is of crucial importance for the harmonious development of a region. When the spread effects are powerful, they act as a stimulant promoting further development in the region and also bring about greater economic integration between the core and the periphery, giving rise to a more homogeneous spatial system. On the contrary, if backwash effects dominate, regional inequalities will be widened, as there will be little functional complementarity between the two.

This analysis of the interplay of centrifugal and centripetal forces initiated a great deal of debate on economic convergence versus divergence as a possible outcome of economic growth. This issue received prominence with the publication of Williamson's well-known article in 1965 on the relationship between economic growth and regional income disparity. He views the problem of regional income disparity in relation to economic development at the national level. His argument is that increase in regional inequality occurs during the early stages of development, while mature growth produces regional convergence or a reduction in differentials. He visualises three distinct trends in the process by which a region comes back to the convergent phase. To begin with, the regional disparity widens with an initial rise in the per capita income. It remains stable and in

subsequent phases, it declines paving way for regional convergence from the initial phase of regional divergence. His cross-section and time-series analysis indicate a systematic relationship between national development levels and regional inequality. He adds that regional dualism or inequality is much more extensive within agriculture than within the industrial sector and that labour participation rates in part contribute to regional income per capita differentials.

Emmanuel has made a study of growing economic inequality between developed and less developed nations in terms of the theory of unequal exchange. The theory, which is based on a modified version of 'Marxian analysis of price formulation' holds that because of the existence of considerable wage differences, overpriced goods from the advanced countries are exchanged with under-priced goods from the third world countries in the world market. There is the exploitation of the under-developed economies by the developed ones with a widening gap between the two.

Similar conditions prevail at the national level as well, with unequal exchange taking place between the growing and stagnant regions. There are marked inequalities in terms of trade between urban and rural areas, between core and periphery regarding trade surplus and per capita income.

The Stage theory of Friedman visualises the process whereby a national economy moves through its spatial organisation from its primitive agriculture to an advanced industrial stage. According to him, dualistic tendencies are very high in the first and the second stages because there exist functionally isolated towns and cities and they possess a strong centre with a weak periphery. However, regional dualism becomes less glaring with the emergence of small but numerous sub-centres in the third stage, which will be successful in establishing greater inter-connections and interdependence with the already developed centres. This would result in more economic integration across a macro space with stronger spread effects and reduction of inequalities.

Some of the Latin American studies try to explain inter-regional dualism in terms of internal colonisation or in the context of a 'metropolis-satellite syndrome'. Above all, the location and growth pole theories have also contributed a lot to the study of regional dualism but they are more relevant for an analysis of growth concentration and dispersion and thus, they have been taken up in the next section.

It is clear from all these theories that there is an element of inequality and unevenness in the process of development in a given region. Developmental activities start only in a few centres, gain momentum, expand to a great extent and reach the saturation level, depriving their counterpart of many positive advantages due to them. It is essential to analyse why growth concentrates in such centres? How do they develop? What is the impact of such growth on the rest of the regions? Answers to these questions are sought in the light of relevant theories in the following section.

Growth concentration

It is a well-known fact that economic growth tends to concentrate in certain nodal points leading to industrial agglomerations and urbanization. As observed by Lampard, the process of economic development inevitably accompanies a process of concentration; that nowhere amongst the advanced nations of the world has concentration failed to appear. It is true in the case of other countries as well, which are still on the path of higher development.

Before the advent of regional growth theories, the general theories analysed the problem of location of economic activities. The least cost principle, market advantage principle and profit maximisation principle have persuaded the entrepreneurs to cluster around certain nodal points. The general

economic theories have constantly emphasised the 'optimum location' for a particular kind of manufacturing so that the cost-benefit ratio remains low.

The general theories listed certain basic factors that determine such an 'optimum location'. Factors like availability of raw materials, transport and proximity to the market, manpower, availability and cost of factors of production are extremely important for an entrepreneur to undertake any venture.

The early locational models were relevant to the extent of analysing the location of agricultural and industrial activities in an organised space centred around a single city. However, when applied to multi-town economies, they do not provide proper analytical structure. This is because there are certain complexities such as functional diversities, size variations and interdependence between the town and its hinterland.

Here lies the significance of "Central Place theory advocated by Christaller", who was interested more in finding out the general principles which determined the number, size and distribution of human settlement- rural or urban. These general principles relate to the principle of marketing, transportation (traffic) and administration.

The theoretical contribution of Christaller and Losch has led to the development of two streams of thought. While Christaller's approach has led to a more refined Central Place Theory by many writers who put forward their own ideas related to spatial development process, Loschian Central Place-cum-Location theory provides an analytical background for the study of clustering of human activities, the emergence of economies of scales and inter-industry linkages culminating with a fresh thinking of growth poles.

Another major break-through in the theoretical structure has been the idea of growth poles. It is based on three important assumptions, namely, (a) clustering of human activities is essential for generating economies of scale; (b) if such clustering tendencies are not regulated, it may result in heavy social cost; and (c) such a process can be directed to generate growth foci through certain policy interventions.

Hirschman extends the growth pole hypothesis to the process of economic development, with the idea of 'development poles', which is the outcome of the stronger centripetal forces. According to him, diffusion of development impulses occurs through social interaction process rather than inter-industry linkages. These development poles provide for competitive advantages and better transport facilities along with the good reward for skilled labour and entrepreneurs. All these positive factors draw the productive activities to such poles leaving the rest of the region in a comparatively backward state.

Myrdal visualizes a similar process with the operation of backwash effect. In his words, "if things were left to market forces unhampered by any policy interference, industrial production, commerce, banking, insurance, shipping and indeed almost all those economic activities which in a developing economy tend to give a bigger than average return, and in addition, science, art, literature, education and higher culture generally will cluster in certain localities and regions, leaving the rest of the country more or less in backwater".

These theories with their own points of emphasis try to narrate the process by which growth tends to concentrate in certain places. When this process reaches the culmination stage certain factors act towards spreading economic development across a wider area. This pattern of widening of growth process over a given geographical space has been highlighted by some theories discussed in the following section.

Growth dispersion

Thus, the economic activities which tried to concentrate on certain points referred to as 'growth poles', 'developed cores', 'growth centres', reach a stage of growth saturation for various reasons. Richardson states that when the process of industrialisation sets in, there will be an economic expansion in certain regions and the rest of the region tends to remain backward. Subsequently, there will be a dispersion of expansionary forces, which will integrate and unify the national economy. This process has been explained in terms of 'centre-periphery relationship', 'hinterland-heartland relationship', and 'core-fringe relationship'.

The works of Myrdal and Hirschman initiated a great deal of discussion on spatial dispersion of the growth process from 'development poles' to the backward regions. They have described certain favourable effects that originate from the poles and promote the development of backward regions. These effects consist of investment activities flowing from the poles to the periphery. Such investment activities cover supply of raw materials for industries in the poles and purchase of products or raw materials from the backward regions. This would give rise to new poles, further spreading the same effects to their own peripheral regions. These favourable effects thus stimulate the region's overall development, as there would be greater economic integration between the developed and the backward regions. The benefits occurring from such favourable effects are more if the degree to which the pole has to depend on the output of the periphery is greater for its further development.

Thus, both Myrdal and Hirschman owe the greater dispersion of developmental activities to the stronger spread and trickling down effects. Affirming the same view, Hilhorst feels that the trickling down effect will become stronger and positive than polarisation effect if the progressive region depends more on the goods produced in the backward region.

Thus, it is quite clear that growth not only tends to concentrate on a few areas of advantage but also spreads out over a period of time. The theories discussed in this section clearly highlight certain factors that promote the process of growth dispersion. A clear understanding of these factors is of great importance for policy formulation.

Conclusion

The previous sections bring home the point that there is no dearth of theoretical literature for anyone who is interested in understanding the complex process of development across different regions. At this juncture, it is necessary to infer the relevant points depending upon one's own requirement. Thinking from this angle, we can resort heavily to the previous section on the process of growth dispersion. A close look at this section provides the policy-maker with certain points, which are very crucial in framing policies with appropriate improvisation.

These are the main points that emerge from various theories of regional growth reviewed so far. How to give practical touch to these theoretical derivatives is an important question that should be pondered over.

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