

INTRODUCTION

**NEW PERSPECTIVES
ON REGIONAL DEVELOPMENT**

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The bailout of Greece and the rescue packages many industrialized countries have implemented following the current economic crisis bring to the fore many questions that constitute the bread-and-butter of the regional scientist: Why does a country/a region persistently lag behind? Should national/supranational governments come to the rescue of the most distressed areas? If so, what criteria are used to define those worthy of being rescued from the others? How are the recipient areas going to use the money? Will it promote local development only or will it spillover to other areas, etc. While the goal of this special issue of *Région et Développement* is not to provide specific answers to the current economic crisis nor the bailout of Greece, it proposes a unique view of the current state of what urban and regional scientists can do when uncovering the origin of territorial imbalances of development, accounting for spatial dependences across places and drawing recommendations for dissemination in the policy arena. As such, most of the articles you will find here rely on state-of-the-art techniques that have flourished over the years in the field of regional science.

This special issue is composed of nine papers that could be classified in five parts. The first article is concerned with the identification of a region's fundamental economic structure. The second and third papers focus on estimating regional convergence at different spatial scales: within an economically integrated block and within Canada. Those are followed by two papers that demonstrate how education plays an important role in explaining regional disparities both within Italy and Peru. The sixth and seventh contributions are interested in the factors at the origin of uneven distribution in employment growth

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within various US metropolitan areas and across the Appalachian counties respectively. The next piece that deals with uncovering the factors at the origin of manufacturing location decision in Indonesia. Finally, the last contribution is a research note aiming at developing better measurements of business incubators' performance. Further details on all the contributions are below.

The paper by **Sudhir Thakur** focuses on the link between regional economic development and structural change. As economic development takes place the strength and direction of intersectoral relationships change, which leads to shifts in the importance, direction and interaction among economic sectors. As such, the identification of a region's fundamental economic structure is necessary as it leads to an improved understanding of the space-time evolution of regional economic activities. This paper not only reviews the different techniques used to study structural change analysis, but provide also a methodology to identify the fundamental economic structure of a region.

The paper by **Florence Bouvet** contributes to the debate on economic integration and regional convergence. Focusing on four economic integration systems, namely the United States, the European Economic and Monetary Union, the European Union, and the North-American Free Trade Agreement, the paper shows that interregional income inequality is negatively related with the level of economic integration. Further analysis uncovers the extent to which inequality is higher in poor regions, which confirms Kuznet's inverted U relationship between economic development (measured by the level of per capita income) and regional income inequality.

The work by **Pierre-Marcel Desjardins** investigates whether regional disparities in Canada are interprovincial or urban/rural in nature. In particular, the paper focuses on regional disparities in population growth, income, labor force participation rate, employment rate and population without a high school degree in Canada between 2001 and 2006. Results indicate that urban/rural disparities dominate interprovincial disparities in explaining regional disparities in Canada.

The next set of papers focus on the role of human capital. **Luisa Gagliardi and Marco Percoco** take a fresh look at one of the most studied, classic cases of regional economic disparities: the longstanding development gap between the North and South of Italy. Their long-run (1891–1951 time-span) econometric modeling deploys a new panel data set to provide evidence that the higher human capital stock in the North provided the prerequisites for early industrialization. Furthermore, they conclude that policies protecting agriculture resulted in an incentive for the South to specialize further in the primary sector, which hindered development over the longer term. Their work is followed by the paper of **Maribel Elias and Sergio Rey**, which demonstrates that social indicators should be used in addition to economic indicators when it comes to examining regional inequality and its dynamics in a developing country. Spatial econometric regressions indicate the presence of significant spillover effects and convergence in education and in socioeconomic levels across Peruvian provinces over 1993–2005.

The following two contributions are mostly interested in the origins of employment growth differentials. As such, the paper by **Bumsoo Lee and Peter Gordon** investigates the impact of the spatial structure of an urban area (defined by dispersion and polycentricity) on employment growth, net new business formation and “industrial churn”. While the authors’ previous work revealed that in the 1990s more clustering in small metros and more dispersion in large metros were associated with faster employment growth, their current contribution is based on the 2000s data. Though ordinary least squares regression failed to validate a similar pattern, locally weighted regressions are able to confirm the links between spatial structure and urban growth found in the earlier paper. In the following paper, **G. Gebremariam, T. Gebremedhin, P. Schaeffer, R. Jackson and T. Phipps** develop and estimate a spatial equilibrium model of employment growth across the Appalachian counties for 1990–2000. Besides the existence of spatial spillover effects, the results suggest that agglomerative effects that arise from the demand and the supply side contribute to employment growth. Based on these findings, they recommend counties and communities to cooperate to design policies that support employment growth and/or attract people with high endowments of human capital and high income.

The contribution of **Andi Irawan** deals with the spatial distribution of large and medium manufacturing industries in Indonesia’s East Java Provinces. More precisely, it investigates the degree of localization and co-localization, the randomness of the observed localization, and the industrial structure of several cities. His results reveal that differences in technology and scale economies are significant determinants in the localization process of industries. In addition, he finds evidence of agglomeration spillovers by applying the notion of neighborhood effects in the frame of a spatial econometric model.

This is followed by the research note of **Shaoming Cheng and Peter Schaeffer**, which argues that existing performance measures to gauge the effectiveness of business incubators suffer from numerous limitations and are often biased, underestimating their effect on entrepreneurship and economic development in distressed areas. Two approaches for developing more theoretically grounded measures are explored, one based on quasi-experimental “matching” procedures and the other on input-output derived “relative contributions”.

Putting together this special issue was not solely the work of the guest editors. We are thankful to Michel Dimou, one of the full-time editors of *Région et Développement*, for suggesting us to work on this special issue, the plan for which came together at the 2009 WRSA conference. We have appreciated the strong support he gave us since then. Finally, we extend our special thanks to the members of the Comité de Rédaction of *Région et Développement* and all the persons who volunteered their time and provided us with the necessary feedbacks to improve the quality of this issue⁵.

⁵ As such, our special thanks go, in alphabetical order, to Florence Bouvet (Sonoma State University, USA), Andrew Cassey (Washington State University, USA), Pierre-Marcel Desjardins (Université de Moncton, Canada), Gebremeskel Gebremariam (Virginia Polytechnic Institute and State University, USA), Carolyn D. Guo (United Nations Industrial Development Organization,

Last but not least, we would like to use this opportunity to dedicate this special issue to Professor Lay James Gibson, and we hope it will come as a surprise to him. Being edited by a quartet of current regional scientists at the University of Arizona in Tucson, this issue reflects the “Arizona School” of regional development, which owes a substantial portion of its intellectual heritage to his longtime leadership and promotional efforts on behalf of the field. Lay's applied geographic studies on issues of local economic development have played a major role in building Arizona's international reputation. His entrepreneurship and leadership in promoting "regional development" as a Bachelor of Science major field of study resulted in our undergraduate geography program developing into the second largest in the United States. For decades Lay has traveled the globe, ceaselessly promoting the cross-cultural collegiality and the multidisciplinary perspectives that have come to be such distinguishing attributes of the spirit of regional science. As one of the early Presidents of the Regional Science Association International (RSAI), and as longtime Executive Secretary of the Western Regional Science Association (WRSA), Lay has fostered numerous collaborative ventures – both intellectual and social – with the French-speaking regional science community of scholars. We thus take enormous pride and pleasure in dedicating this special issue of *Région et Développement*, which was born during discussions at the 2009 Presidential Reception at WRSA, to Professor Gibson. So, with a clink of our wine glasses: *Santé, Lay!*

Austria), Andi Irawan (University of Illinois at Urbana-Champaign, USA), Andrew Isserman (University of Illinois at Urbana-Champaign, USA), Michael Keane (National University of Ireland, Galway, Ireland), Michael Lahr (Rutgers University, USA), Bumsoo Lee (University of Illinois at Urbana-Champaign, USA), Marco Millones (Clark University, USA), Daisuke Nakamura (Universidad Católica del Norte, Chile), Suahasil Nazara (University of Indonesia, Indonesia), John Parr (University of Glasgow, the UK), Roberto Patuelli (University of Lugano, Switzerland), Marco Percoco (Bocconi University, Italy), Maria Plotnikova (Henley University of Reading, the UK), Peter Schaeffer (West Virginia University USA), Norbert Schanne (Institute for Employment Research, Germany), Jungyul Sohn (Seoul National University, Republic of Korea), Jean-François Tremblay (University of Ottawa, Canada).