

Varieties and Perspectives of Local Development: A Conclusion

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Abstract This chapter outlines the state of the debate on local development and places the content of the book within it. The chapter stresses the problematic nature of localness and highlights the existence of different broad and alternative varieties of local development, depending on their mix of adaptation to local circumstances and international integration. Given this complex and multidimensional nature of local development, it is important to use a comparative method and a systemic, simplified and coordinated approach to it. Using this methodological perspective, the chapter identifies three fundamental dimensions of local development: efficiency, stability, and rights. These dimensions identify the fundamental features of local development and the roles it plays. The chapter ends by identifying unsolved problems and open challenges in local development research.

Keywords: • comparison • efficiency • local development • proximity • rights • stability • system • varieties of local development

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1 Introduction

This book deals with local development as seen from many different angles and has the final goal of clarifying how it should be taught to new generations of university students. Therefore, the book is premised on two fundamental considerations. First, local development is important and complex. Second, local development is a subject worthy of academic research and education so as to foster the related knowledge and have future agents capable of solving problems and promoting local development. Therefore, the book is based on the implicit understanding that local development is inadequately well understood; that it has to be further promoted by more- and better-skilled agents, and that it should make use of better tuned, more effective policies. Implicitly, these observations send the message that spontaneous developments, albeit real and important under certain conditions and circumstances, are not sufficient everywhere and at all times. This opens the question what should be done to foster the positive response that local development represents.

It is therefore important to understand what local development is, why it is important, why it is complex, why it is in inadequate supply, and why a comparative and systemic approach is necessary. These may appear to be odd demands after so many analyses and publications have already come to light, so much money and effort has been invested in local development projects and efforts, and after so many spontaneous processes have led to both successful local development and also its failure. Clearly, raising these kinds of questions is equivalent to stating that these analyses and publications are inadequate or have at least been ineffective so far, that spontaneous processes have at least been insufficient, that the money and effort that has been spent has not been enough, and was not always spent well – or perhaps that counterproductive processes have emerged and undesirable objectives have been met. This book is therefore welcome as it provides a finely tuned, variegated picture of local development by means of analyses and case studies.

This concluding chapter aims at providing a comparative and integrated systemic picture of local development and highlights how the book contributes to the development of such a picture. Since local development includes an extremely variegated set of components which vary from one context to the other, but also includes some reference points that are common to all cases, it is important to understand and distinguish both what is specific and idiosyncratic, and what is general and universal in local development. From this perspective, local development involves the connection between the particularity of the locality and the generality of participation in social life, including at the national and global levels.

Any locality and any particular component of it is in a sense unique: it has features, traditions and components that are distinct from those of other localities that have emerged from many different factors of economic, natural, political, social, technological origin. At the same time, any locality, particularly in the modern open world, shares some

fundamental general features and factors that allow the locality to interact with other localities and the rest of the world. Examples of the former are nearly infinite, and include particular cultural traits and traditions, social groups and minorities, economic activities, and areas of natural beauty. Important cases of the latter include the observance of law and order, respect for property rights and contracts, the existence of a recognized government and compliance with its decisions, and adaptation to policies, be they at a local, national or international level.

For example, when the European Central Bank takes a monetary policy decision or a national government adopts an environmental law, the effects are felt not only at a national level, but also at any local level. Although local adaptations may be different depending on the particular features of localities, the latter nevertheless have to adapt. Since the fundamental economic features of localities do not change perceptibly in the short term, and provided that the central bank or the national government has good knowledge of the localities, monetary or environmental policies can also anticipate the effects of particular policies at a local level. This effect is therefore predictable and manageable, at least in part. At the same time, any particular behavior of or interaction among localities may prompt central authorities to make and implement certain decisions. Therefore, what is general is important for what is local, just as much as the latter is important for the former. This also means that local development, to be effective, should be in tune with general external circumstances, as much as the latter should be in tune with their territorial composition.

Given the variegated essence of local development and its many different features in diverse parts of the world, the comparative approach is particularly useful and productive for highlighting these differences and their nature, thereby allowing the mapping of local developments. At the same time, comparisons allow us to distinguish what is general from what is particular in many different localities. This permits identification of the general features of local development. This combination of particular and general features in any case of local development also requires an integrated systemic perspective. “Integrated” means putting all the particular components into their proper place, and the mutual relations in order, to arrive at a complete and coordinated (i.e., systemic) perspective about local development.

This concluding chapter outlines the state of the debate on local development, considers the most proficient approach for studying and governing local development, looks at unsolved problems and open challenges, places the contributions of this book in these perspectives, and proposes topics for further research in relation to open local development. The following section introduces the concept of local development and stresses the problematic nature of localness. Section 2 completes the picture by highlighting the existence of different broad and alternative varieties of local development, depending on their mix of adaptation to local circumstances and to international integration. Section 3 distinguishes between external and internal processes in local development, while Section 4 looks at the causes of failure of local development

programs and stresses the importance of an integrated approach, of which this book provides an example. The topic of Section 5 is the multidimensional nature of local development and the difficulty of treating it in a synthetic way. This requires a simplified and coordinated – i.e. a systemic – approach. Section 6 aims at giving substance to this perspective by identifying three fundamental dimensions of local development: efficiency, stability, and rights. These dimensions, which are extensively and properly treated in the book, identify the fundamental features and roles that local development plays. Yet much remains to be researched and understood about local development. Section 7 looks at the interplay between vertical and horizontal relations in local development, while Section 8 highlights some fundamental challenges from this perspective. Section 9 concludes.

2 On local development

Local development generally refers to the change and transformation of a locality, usually in the sense of improving one or all of the following: its level of material and social welfare, economic performance, well-being and opportunities offered to its inhabitants, knowledge and circulation of ideas, availability of technologies, resilience to shocks and negative events, external relations, internal stability and cooperation, or social and environmental sustainability. The study of local development is therefore a way to interpret performance and change at a meso-level using localities as the unit of investigation rather than focusing more narrowly on individual social actors and organizations. A locality is usually meant as a territory; i.e., any social and geographical component situated below the national level, so that the latter includes the interaction among various localities.

In the above configuration, local development directly relates to the way that societies, economies and institutions interact among themselves at a local level as well as with the rest of the world; i.e., with those of other localities and countries. Moreover, local development also depends on the ability of local actors to improve the social and material potential of their own localities, to encourage cooperation, and to inspire the participation of the local population and institutions.

However, the concept of “localness” is problematic for different reasons. Geographical spaces (“territories”) are internally and externally heterogeneous, while there is rarely a unified “local interest”. Moreover, the relationship between the spatial dimension of processes and institutions is dynamic in the sense that it changes through time, and depends on the nature of problems and processes. So the boundaries of the “local” may shift according to the issue and the processes under consideration, and different definitions and concepts of what is local typically exist. For instance, from an administrative perspective the local refers to criteria of administrative convenience, while cultural approaches highlight shared values and identity. For the economist what matters are the predominant patterns of industrial and agricultural production and exchange, while for political scientists the important feature is the existence of an executive power

with competence over the locality concerning some critical matters. The sociologist usually sees in the local the prevalence of established social patterns of relation and interaction, while the legal scholar looks at competence in terms of legal norms and the existence of a legislative council competent to deal with critical matters. In a historical perspective, local refers to common historical vicissitudes, self-identification and external recognition, while according to geography the local has to do with commonalities of orography, altimetry, catchment basins, and the environment.

All these definitional vagaries clarify how difficult yet fundamental it is to take a comparative systemic approach to local development, and may lead to the question being raised whether limiting development spatially really makes sense. The answer to this question is obviously positive, because there are factors of a social, technological, intangible and material nature that make the locality a better level of analysis for certain issues and processes and local action or action at a local level the most effective. To name just a few of these, economies of agglomeration are real and important, the role of local constituencies critically significant, local social relations and collective action effective, the competence and power of local governments important, and the local production and circulation of intangible factors such as knowledge and ideas strategic.¹

For these and similar reasons, what is socially relevant for local development goes beyond the limits of other perspectives (e.g. geographical and sometimes historical ones) because the overstepping of those "alien" boundaries allows social constituencies to capture advantages and resilience from cooperation and participation, and to progress more speedily and effectively. To understand why a certain locality forms and is active and resilient, taking a systemic view is necessary. This is a view that looks at consistencies in the relations among the different components of local development, and pursues generalizations that allow a simplified analysis of what keeps a locality together and working and makes its functioning predictable. To understand why localities have different features and levels of performance and evolve in different ways, and, in particular, why some localities and others do not (Feldman 2014), a comparative perspective is necessary. This is a perspective that confronts different localities, highlights differences and similarities in their construction and working, relates these to the outcomes, and through such comparison identifies better ways of promoting local development.

However important local development is, one should never overlook the existence of important and powerful obstacles to it. Some of these are external to the locality, such as an unfriendly or centralizing national government, the existence of distributive coalitions among other localities, and tensions and conflicts with other localities. However, most obstacles are probably of an internal nature and include entrenched local policy styles, political instability, a lack of cooperative and innovative attitudes among local participants, extreme poverty, an undeveloped infrastructure, and many more (OECD 2003). One of the merits of this book is how it presents directly, or provides analyses and elements that allow for, a comparative and systemic view of local development.

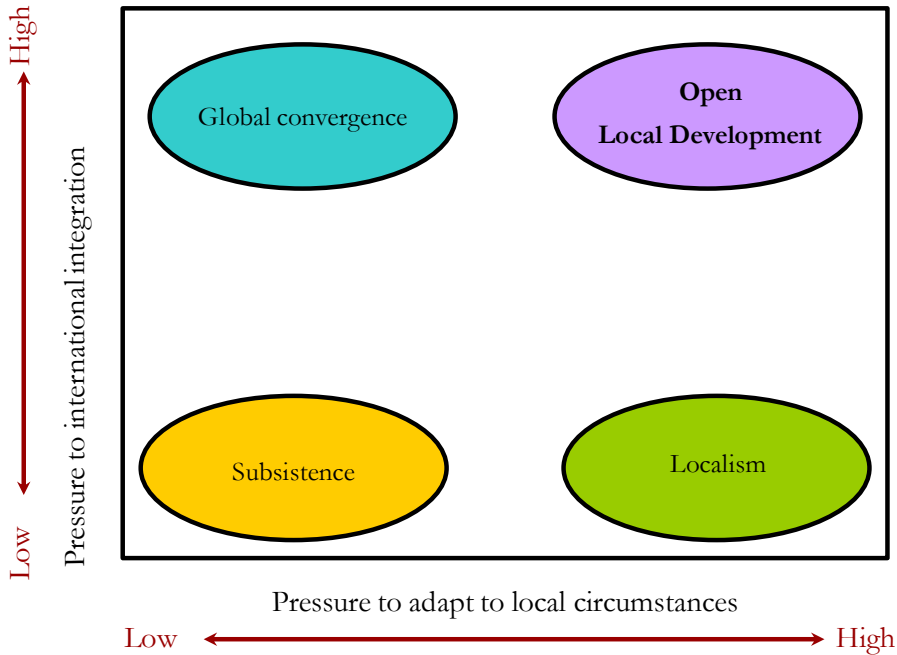
3 The varieties of local development

One of the most controversial issues in the analysis of local development is why and how different and separate localities should continue to exist and why some of them flourish and others ail. This question leads us to enquire whether each locality should be self-sufficient in its own particular way, or whether each locality should specialize based on its endowments and interact and exchange with other localities. The essence of this question concerns the static and dynamic role of the cohesive force of proximity (Balland *et al.* 2015; Boschma 2005) – the essence of a locality in its economic, geographic, political, and social sense – vis á vis the remoteness, advantages and threats from the rest of the world. Being larger and more powerful, we can consider remoteness (the rest of the world) as a constraint on proximity (local development), but also as a source of opportunities. It follows that local development can be open to the rest of the world, or closed and self-sufficient. Both positions have a rationale, depending on the nature and attitude of each component (proximity and remoteness), from which the potential advantages and disadvantages of interaction are created.

In today's economies, local development has to be located within the perspective of globalization (Scott and Storper 2003), just as the present book does. This means that, following Rodrik (2007), local development should pursue the best possible adaptation to and use of local circumstances, while being respectful of general issues and rules. This boils down to finding one's best possible place in the world, and doing what one knows and does best (i.e. knowing what, and knowing how). In short, being pragmatic and in tune with one's reality and aware of external conditionalities and opportunities.

As a matter of fact, there are a number of alternative varieties of local development that exist or can be adhered to (Figure 1). The most traditional one is local development as subsistence.

Figure 1: Alternative varieties of local development



In this case, local development is based on the isolation of a local constituency from the rest of the world in a posture of self-defense. There is a static adaptation to local circumstances in that local development is the only way for the community to survive, and this is usually done by making traditional use of what is available locally. This is most often a weak choice that is unable to support a strong and flourishing society; a choice that comes from isolation from surrounding territories, be this due to a very low level of development, entrenched power coalitions, threats from neighbors, a lack of infrastructure or the conservative attitude of local constituencies.

Localism represents a variety of local development in which self-sufficiency is the outcome of a free choice by local society. In this case, local development is based on adaptation to local circumstances and resources based on the supposed superiority of one's locality, an aversion to foreign practices and societies, and fear of invasion or anxiety about the contamination and disruption of one's culture. This variety may be associated with good economic performance and social and political stability in favorable conditions (e.g. the Italian free municipalities in the Middle Ages), yet the advantages of exchange and interaction with other localities and specialization are foregone.

Global convergence is the preferred variety of mainstream economics and politics (Fukuyama 1992). With this variety, only the pressure for international integration matters along a standard model, be this neo-liberal, Marxist, confessional, or something else. Adaptation to local circumstances is mostly seen as a meaningless curiosity and a sign of backwardness and isolation. All that matters – be it due to the nature and working of markets or democracy, or something else – is that localities should converge to one “best” standard. Exchange, specialization and competition in the economy, and inter-locality and international trading and cooperation are important in this variety of local development, and are based on the optimal allocation of resources, similar political regimes, equal rights and local or national sovereignty. This variety allows only for some minor local variants of the same model, leaving local idiosyncrasies and, consequently, local development out of consideration.

This variety of open local development promises to overcome the unilateral, limited and one-dimensional (or dimensionless) nature of the previous varieties. It is based on the necessity of and interest in integrating internationally and making the best possible use of local circumstances. Clearly, localities differ in terms of their internal composition and construction and their relation to the rest of the world. As to the former, localities are endowed with qualitatively different resources, along with quantitative differences due to their particular traditions and preferences, dissimilar religious practices and political structures, distinctive social components and organization, separate natural environments and geostrategic placements, different kinds of knowledge, and many more issues. All these variables can be considered the endowments of localities; i.e. features and variables that are a given at any time. Following this perspective, the only choice available for a locality is to adapt to these endowments and make the best possible use of them in order to improve efficiency and the level of development, and to pursue social and political stability and guarantee desirable rights to its citizens.

Such qualitative differences – together with the quantitative differences in the endowment of resources – create opportunities for advantages and gains by means of specialization and interaction with other localities. If any locality is able to make the best possible use of its endowments, it will find its best possible place in the world. Since endowments vary qualitatively and quantitatively, and since the abilities and constraints on using them vary from one locality to the other, localities differ in both an absolute and relative sense from each other. Different varieties of local development follow, which make the comparative approach particularly useful and important.

Thus, a locality rich in natural resources may have a favorable basis for development and exchange with other localities. This is the case, for example, of Canada, a country in which extended localities specialized in cod fisheries, the fur trade, cereals, and timber. This specialization stimulated the development of an upstream industry producing machines for mechanizing those staple activities, and a downstream industry for transforming the raw materials into finished products. This regional specialization affected the regions’ and the country’s economic, social and political development and

brought export-led growth to a more sophisticated and successful level (Altman 2003; Watkins 1963).

In other cases, abundant endowments of natural resources have led to slower growth or economic disaster and social and political disruption, as in the many cases that are referred to when the “curse of natural resources” is mentioned (Frankel 2012; Venables 2016). In a similar vein, any locality that includes different linguistic or ethnic components may find in this complexity a reason for development and stability, or one for disruption and tragedy. In the former case, cultural and ethnic variety may attract tourists or may create opportunities for different forms of specialization and entrepreneurial activities within the same locality. The existence of linguistic minorities has been shown to foster the establishment of beneficial relations and cooperation with countries where the minority language is the national language, as in the case of the German-speaking minorities in Central Europe. In the latter case, however, the linguistic or ethnic complexity of a locality may end up in tension, contrasts, and mutual obstruction, even leading to civil war.

This book fully adheres to the perspective of this open variety of local development, including its various declinations in the case of different localities. What emerges is a rich panoply of the many varieties of local development that can exist, from highly developed and stable localities (e.g. Regensburg, in the paper by *Litzel and Rust*) to war-torn and natural-disaster-affected localities (e.g. see *Waisová and Cabada* on environmental cooperation and security, and *Pant* on central Nepal). This panoply offers an excellent basis for further research, particularly that which employs a comparative perspective across localities and time and investigates the reasons for and rationale of the different varieties of local development, different ways of adapting to and making use of local circumstances and their advantages and disadvantages, and the conditions necessary for and the possible modes of the beneficial openness and international integration of a locality.

4 External and internal processes

In a thought-provoking book about the fundamental challenge of development – i.e., alleviating poverty and conserving the environment –, Sayer and Campbell (2004, 3) ask the fundamental question “... why [has] the manifestly sensible goal of managing natural resources in an integrated manner ... proven so elusive”? This observation can be extended to any type of resource, including human and intangible ones. The latter case is even more challenging, since human and immaterial resources – such as knowledge or entrepreneurship – can be considered, following Baumol (1993), as evenly distributed among countries and localities, while natural resources are not. Since there is abundant theoretical knowledge and practical evidence that a lack of natural resources is not necessarily an obstacle to development (as the cases of Japan and other highly developed European countries show) and that their abundance may even be counterproductive (as the case of many African countries proves), an even more challenging question is why

potentially available resources either remain underutilized, are plainly wasted, or even become instruments of reverse development and tragedies.

Yet the above quotation stresses a subtler problem: it is not necessarily the management of natural resources that fails, but that a more complex issue is involved: the integrated manner in which resources should be managed. This has little to do with natural resources themselves and much to do with individuals and society: the human and intangible sides of the problem. And this is indeed the approach that this book takes, even when chapters deal with the natural aspects of local development. Indeed, local development foresees an integrated approach among and by human beings based on institutions.

Taking an integrated approach to comparative local development is neither simple, nor without danger. The traditional approach of the social sciences to the issue of local development is that there already exists a good approach which starts with the availability and allocation of resources – be they natural, social, human or intangible –, incorporates their good management, and leads to output and benefits for local people. These processes also sustain the long-term local and global value of those resources. This approach should lead scholars to ask and enquire about the compatibility of the different instruments and goals, be this in a technical or social sense, which has much to do with institutions. Many critics of development programs in developing countries, for instance, maintain that the lack of success in integrating development and environmental conservation derives from the impossibility of combining two inherently divergent goals and agendas. This is the position of some members of the environmental movement (including supporters of “de-growth economics”; see Latouche 2009), but also – on the opposite end of the environment-development spectrum - of advocates for developing countries and the governments of poor countries.

A subtler and more convincing criticism of integrated development programs comes from scholars such as Ostrom (1990). In her deep and challenging analysis of the commons, Ostrom (1990) maintained that local constituencies are able to solve issues with the governance and scarcity of natural resources through many and different cooperative and integrated institutions and approaches that lead to the proper management of the environment and development for the community. However important and progressive this view is, it may suggest that if this phenomenon is lacking, or fails, it is because the community does not have the opportunity to create and implement the proper solutions through an evolutionary process. A lack of local development is thus assumed to be due to interventions external to the community or because of internal ruptures. This is true enough, but it overlooks the problem that a lack of development or its disruption may come also from entrenched local interests.

Various cases involving both scenarios are considered in this book: natural disasters (*Pant*), globalization (*Trevisan*), institutional failure and lack of security (*Waisova and Cabada*), child poverty (*Husz and Perpec*), a lack of infrastructure (*Haller and Moller, Horváth*), local democracy and inclusion (*Kukovič et al.*), social and cultural innovation

(*Orbán*), social capital (*Zaric*), together with broad multi-factor overviews (*Kiss and Rácz*) and discussion of the role of governments and governance, regulation of the use of land (*Elliott*), and the role of local governments (*Kiss and Rácz*, *Kukovič and Haček*) and their local finances (*Tózsza*). Some further important issues are hinted at more than thoroughly analysed in this book that deals primarily with Europe: the demonstration effect and its consequences for consumption and investment in less-developed localities, the growth of inter-personal and inter-regional inequalities, and the priority awarded regional and national financial stability and the consequent limitations that are imposed on social and development policies, particularly within the European Union (EU).²

Various types of external intervention that have occurred to the detriment of local development can be identified but these are certainly blurred and borderline cases: e.g. neo-colonialism, and the presumed fight against terrorism and the defense of human rights, including the struggle against child labor in developing countries. In most cases, however, it is usually difficult to hide the negative effects of the latter. However, it is the effect of historical processes, idiosyncratic institutions, resource and investment localization and divergent interests within individual countries and localities that is perhaps of a more serious and resilient nature. Various countries show serious internal divergence, including in the form of increasing inter-regional differences even within coherent areas, thereby activating important instruments for inter-regional convergence such as the European Union (Eurostat 2018), apparently at odds with prevailing trends in an age of converging inter-national differences (Lange *et al.* 2018). The cases of Northern and Southern Italy, Eastern and Western China and Germany, or the more geographically scattered model of the United States and many others are well known and do not require further mention, except to stress that within these broad areas there are further important patterns of development and stagnation of smaller localities. Again, the book offers important contributions that delve deeply – directly or indirectly – into this complex set of external and internal issues: from theory (*Möller*) and measurement (*Dauth*), to infrastructure (*Haller and Möller*), technological progress (*Horváth*), reducing child poverty (*Husz and Perpék*), local democracy (*Kukovič et al.*), the role of universities (*Litzel and Rust*), social and cultural innovation (*Orbán*), but also reconstruction plans after disasters (*Pant*), local finances (*Tózsza*), globalization (*Trevisan*), environmental cooperation (*Waisová and Cabada*), security management (*Waisová and Cabada*), and social capital (*Zaric*).

Interpersonal inequalities often go hand in hand with inter-regional inequalities, in part because the nature and goals of domestic constituencies may conflict with local development goals and because the development of one locality may be counter to the interests of other localities. This conflict may be open; for example, concerning the allocation of resources from common funds. This is the case with EU funds (conflicts over the size of the common EU budget and the share within it of the different chapters; in particular, Common Agricultural Policy and related funds vs. structural funds for the promotion of local convergence) or national funds (transfers to Southern Italian regions in contrast to higher taxes for Northern Italy, or similar processes in Germany after

unification), or public investment in one area but not others. The situation may be less evident when there are social contrasts (e.g. the successful green revolution in poor countries, particularly in India, was to the advantage of certain regions and wealthier farmers and the disadvantage of poorer ones who were left less able to compete than before). Another case is that of Common Agricultural Policy in the EU which has mostly helped large-scale, wealthy farmers in central-northern EU to the disadvantage of other areas, particularly Southern Europe, which has had to compete in more unfavorable conditions (De Grauwe 2014).

5 Explaining success and failure in local development

It is wrong to state that local development programs have been unsuccessful or had distorting effects. Many successful cases of intervention exist, and this book offers many such examples, case studies and analyses. Yet a comparative approach to local development should not be limited to the comparison of different cases and issues of local development through a horizontal, cross-sectional approach. There also is a dramatic need for a trans-level approach which incorporates the relationship between local development and national or international development. Can we really promote local development without the more general process of development in a country and at an international level? Sayer and Campbell (2004, 4) maintain that “[m]any attempts to integrate complex sets of knowledge and the interests of diverse sets of actors into a common framework have yielded disappointing results. ... What is surprising is not the improvement of integrative methods over the past 40 years – rather it is their fundamental similarity. The words have changed but the paradigm remains similar”.

This statement is perhaps too strong. Looking at this book, there are chapters whose content goes beyond this criticism in outlining a potentially new paradigm. For instance, *Waisova and Cabada* offer an integrated example that is based not exactly on a new paradigm but which offers an integrated approach to the difficult issues of local development, environmental cooperation, peace-building and security. The two chapters by *Futó* and those by *Gabriel et al.* and by *Haller and Möller* stress the role of education and the presence of a dynamic university as the most important factors in fostering paradigm change. These explanations are clearly in line with the three-helix analysis (Etzkowitz and Klofsten 2005) and the claim for the need for a creative class in a locality (Florida 2002). These chapters offer a hint of the explanatory power of an integrated analytical approach, although they cannot in a clear-cut and unequivocal way specify what the causes are, and what the effects. Does a locality need security to develop, or is development the best guarantee of security? Is education the cause or the effect of local development? Case studies tend to suggest that both are required depending on local circumstances and particular events, and that a circular process of mutually reinforcing – or weakening – events may be in operation.

However, the underlying operational approaches of most local development programs remain doubtful, and side effects and unforeseen consequences abound. It is not only

peaceful areas that run the risk of missing out on international support that is concentrated in conflict-affected areas. It may also be the case that external support, or the prospect of it, may set in motion processes that disrupt the chances of local development. Within unstable localities or states, some social groups or politically powerful people may find it convenient to cause instability or conflict if they are convinced that they will be able to make gains from international help or domestic resources allocated to conflict resolution and local development. The case of selected regions in the south of Italy show that the availability of massive transfers from the central budget to those regions may prompt traditional criminal organizations to reorganize in order to capture valuable rents. Criminal organizations may then invest in rents or parts of them in the regular economy and use violence to avoid competition from clean businesses (Arlacchi 1986). Even well-intended support for local development may reverse development. The situation in the former Yugoslavia (Dallago and Uvalic 1998) and many other localities and countries are examples of this danger. It is important to undertake further research to foster understanding of this kind of danger: namely, to identify the factors and the circumstances that activate such negative processes and define the instruments that can be used to avoid such danger or combat it and reverse its effect.

It is important then to make it clear that local development is not an exclusively one-way process. In reality, it may fail and be reversed. It may even restart again, either due to well-chosen policies or because of "spontaneous", unplanned and unmanaged sets of events that reactivate virtuous processes that lead to local development. The chapter by *Trevisan* presents an important case in point: that of Italian industrial districts. These were one important component of the dynamic economic development and social transformation of Italy until the 1980s, after which the districts started to weaken and fail, apparently because of their inability to adapt properly to globalization. Yet the agony did not end in the death of many districts, nor was it an endless process. Many industrial districts in later years were revived and again became competitive after years of transformation and restructuring. While policies played a role in this happy development, self-help and reorganization played an outstanding role.

This particular case suggests that it may be possible to invert unfavorable and negative trends. It is therefore important to build a theory of the factors and circumstances that may support and strengthen this process and its management. The book offers interesting responses to this need, although not necessarily definitive and generalizable ones. Perhaps the main such answer is that it is important to invest in human beings, since these are the most fundamental resources for local development. This requires starting with children, who must be given proper opportunities (*Husz and Perpék*) and continue on to higher education, where the teaching of local development should be more prominent than it has been so far (*Futó, Gabriel et al.*), and the role of universities should also be elevated (*Litzel and Rust*). It also requires proper roles for infrastructure (*Haller and Möller, Horváth*), land use and the environment (*Eliott, Waisová and Cabada*), local governments (*Kiss and Rác, Kukovič and Haček*), social and cultural innovation (*Orbán*), the protection of fundamental rights of both businesses and minorities (*Ferrari*,

Penasa), security (*Waisová and Cabada*) and democratic consolidation and participation (*Kukovič et al., Zarić*). The analysis of all these issues should be done comparatively whenever possible to assist with understanding and placing individual cases in context. It should also aim at the development of a general systemic theory of local development to place each factor in relation to the others and clarify the overall interaction network in a multi-factor analysis.

6 The multidimensional nature of local development

It is not easy to understand precisely what local development is, why it is important, why it is complex, why it is in inadequate supply, and why the comparative approach is really necessary. Often, general (national) and international (globalization) processes are offered as alternatives. Most analyses of local development deal with what is directly or indirectly within its purview: a set of needs (development) promoted and managed – sometimes governed – at the local level (local) by means of resources (natural, human, financial, technological); resources that sometimes come from outside the relevant locality (national, international, other localities). The book offers various contributions to all these different cases.

However, local development also has different dimensions that this book considers extensively. According to these perspectives, local development means pursuing the stability and cooperation of local constituencies. This may require only political agreements and proper institutions, without the use of resources, or may require the use of resources produced locally or elsewhere. Stability may be good in itself or may be a precondition of development and the production of more and better resources. There is also a third level: the implementation of the rights of human beings as a supreme good. This may be, in turn, a precondition of development, as Sen (1999) forcefully stresses, or may require the use of local or external resources.

All these dimensions are better considered in the next section. They are important and require that local development is analysed in a complex, multidimensional way. A common trait is that local development arises from differences within countries and pursues the particular advantages – human, social, economic, financial, national, international, technological, and physical – of localization (Porter 2000). This book reflects these different dimensions of analysis and offers explanations for why local development is important (see *Möller* on theories of local development).

Using an integrated and multidisciplinary approach to the study of local development is fundamental, as stressed above. Yet it is extremely difficult. This approach has produced astonishing results in many fields (in particular, in the natural sciences and technologies). In social sciences it is intrinsically more complex and difficult, therefore also fragile and more complex to manage. This is so for different reasons. The number of variables that social research is required to manage is much higher than in the case of the natural sciences, and the value of such variables is often difficult to assess, being imprecise,

blurred, or plainly concealed. Moreover, social sciences have to deal with the well-known problem of the participating observer, whose observation and implementation of action influence the phenomenon under study through modifying the value of parameters. This is a fundamental difference from the natural sciences that can make use of the ideal conditions of laboratories or observation from an enormous distance. Third, the subjects of local development – and quite often the organizations who promote and support it, and also the scholars who study it – have their own idiosyncratic interests and goals that may be at odds or even conflict with each other. The most evident cases of this in this book are presented by *Waisová and Cabada*, but they can also be found in other chapters. Fourth, the variables at stake and their value may easily change through time due to external influences or interaction among the variables themselves. The chapters by *Haller and Möller*, *Kukovič et al.*, *Litzel and Rust*, *Pant*, *Tózsa*, *Trevisan*, *Waisová and Cabada* offer the most prominent example of such changes in this book.

These problems are particularly serious in the case of local development, since the number of variables is extremely high and distances are much shorter (distance actually being replaced by vicinity) while the role of the observer is more direct. In the present book, the chapter by *Kiss and Rác* about the factors and policy measures that influence local economic development (a subset of overall local development) enumerates 17 different factors. The number of fundamental variables (those that are the main subject of a chapter) considered in this book is 30! Nevertheless, the importance of an integrated, systemic approach requires that some simplification and generalization occurs through a comparative analysis of local development. The collaborative and coordinated research of experts of different aspects and dimensions of local development around previously well-defined topics, such as this book contains, is one important and effective way to do the latter. The system perspective requires also that local development is seen as a fundamental part of a more complex reality, which includes different levels (national, international) and different fields (economy, society, polity, law, geography, strategy, nature, technology, and many others). This book also offers a vast range of different analytical angles inspired by different disciplines. A proper system view is still lacking, but at this level of knowledge and analysis of local development, pretending to offer one would definitely be premature. Yet it is necessary to work consistently in that direction, while various important elements and inspiration may be obtained from the present book.

7 Three critical dimensions

As mentioned above in Section 5, local development moves around three main dimensions, as defined in this book. The common thread of the three perspectives is difference: local development makes sense and is important because there are differences within countries and internationally among different localities. This situation goes well beyond the statement that geography matters, and that resources tend to agglomerate in particular spaces, although this is certainly true and important (Krugman 1995).³ What is fundamental is that space and distance matter for human activity in different ways, both material and immaterial. The latter span from spillovers and agglomeration economies in economic activity to a sense of belonging, the circulation of ideas, transaction costs, common culture, interpersonal relations, trust, and many more. These aspects stress that local development has its own *raison d'être*, both in its own right and as an organizational principle of more complex societies.

This is the perspective that the European Union takes in building European integration and pursuing convergence within it among different countries and NUTS localities. The main goal of EU regional policy design is to reduce the development gap among NUTS localities and among member countries in order to promote economic, social and territorial cohesion. The communication "Regional policy contributing to sustainable growth in Europe 2020" that the European Commission published in January 2011 encourages EU member countries to increase their expenditure on regional development in terms of education, research and innovation, and to base their future investment on smart specialization strategies. These initiatives are at the basis of the Europe 2020 strategy that calls for partnership among national, regional and local authorities for their implementation. Eurostat defines the local development perspective at the basis for an important part of its statistical activity:

"Comparing data at a regional or subnational level is often more meaningful and such an analysis may also highlight disparities within countries, such as an east-west divide in Germany or a north-south divide in Italy. Alternatively, such analyses may reveal differences in patterns of economic development, for example, Germany and Poland have polycentric patterns of development with several relatively large cities spread across their territory, whereas France and the United Kingdom are examples of a more monocentric pattern of development, as their economic activity is more concentrated in and around the capital cities of Paris and London" (Eurostat 2018, 8).

A proper way to organize the analysis of local development, and a way that reflects the approach of this book, is to look at the fundamental dimensions that local development has. There are three such fundamental dimensions, which should not be seen as alternatives. They coexist in many cases and often support each other, although trade-offs also occur. An important way to follow an integrated and systemic approach to local

development is to keep all these dimensions under due consideration. While most papers deal with different perspectives and some of them cut across all the three dimensions (e.g. *Kiss and Rácz* on factors and policy measures influencing local economic development), they can be organized along the three different dimensions that differences in inter-locality assume, all based on institutions of a different type and nature. Taken together, as in this book, they may represent an important step in the direction of an integrated systemic approach to local development.

A first such dimension is that of *efficiency*. In this perspective, local development aims at managing differences in order to pursue competitiveness, innovation, higher incomes and wealth, more jobs, and more well-being. This requires the better allocation and use of resources, use of productive factors (economies of agglomeration, scale economies, scope economies), and better knowledge for creating higher (individual and social) economic and social returns. Since activities leading to efficiency are socially embedded (Granovetter 1985) and based on individual engagement and effort, both the dimensions of stability and rights are important for enacting the efficiency dimension. Various papers in this book take mainly, although not exclusively this perspective. These include the chapters by *Kiss and Rácz* on the role of local governments in the development of the local economy, those of *Gabriel et al.*, *Dauth*, the two chapters by *Futó, Haller and Möller*, the two chapters by *Horváth, Litzel and Rust, Möller, Tózsza*, and *Trevisan*.

A second dimension is that of *stability*. Here, local development is considered fundamental to managing potentially disruptive differences in levels of complexity and leading the former to a situation that promises long-term sustainability through shared settlement. When assuming this perspective, various important issues come to the forefront, such as sustainability, governance, opportunities, and social capital. Local development aims at attenuating contrasts and conflicts, granting rights and equal treatment (democracy), favoring the cohabitation of differences and thus also reducing the cost and difficulty of managing them. This dimension requires resources that are produced through the previous dimension of efficiency or imported from elsewhere through economic or political channels, and benefits significantly from the third dimension of rights in identifying and implementing solutions. However, resources are not produced in this dimension, but are used to make social and political returns and to create a stronger basis for prosperity. As a matter of fact, this dimension deals with the preconditions and forms of local development and with the components of it that improve quality of life, individual wellbeing and social interaction. A question typically treated in this dimension is whether local development is a precondition of stability or whether it is a consequence. An alternative interpretation is obviously that it involves a circular causation process in which both local development and stability are both cause and effect. Various papers in this book take mainly this perspective, including the two papers by *Elliott, Husz and Perpék, Kukovič and Haček, Kukovič et al.*, *Orbán, Pant*, the two papers by *Waisová and Cabada* and the paper by *Zaric*.

A third dimension is that of *rights*. People and social groups, in particular minorities, differ in terms of situations, preconditions, equity, opportunities, psychology, motivations and preferences. These differences may be seen as an asset or as a problem. Their role can equally be one of strengthening or of weakening local development, depending on the attitude of people and groups, the prevailing institutions, and the attitude of governments. Rights are a fact: they are either respected or not. But they also involve processes supportive or hindering of their respect and their transformation into different- or different-level rights. Respecting rights does not necessarily require the use of resources (although their repression may require a great deal of resources), but better institutions, democracy and a specific state of mind. When these factors are properly fixed, rights may offer excellent conditions for upgrading efficiency and guaranteeing stability and are at the core of local development, meant in a broader individual, collective and social sense. For example, minorities may represent a problem and a cost when they are repressed or clash with governments or majorities. However, when their rights are recognized and properly integrated they may create opportunities for the development of the entire locality and the country. This happens through tourism, ethnic entrepreneurship, or through the political and economic relations of the former with other countries. Various papers in this book broadly follow this perspective, including the papers by *Ferrari, Penasa, Husz and Perpék*, but many other papers include this dimension in a direct or indirect way.

8 Vertical and horizontal relations in local development

If properly managed, local governance should guarantee a resilient basis that promotes local development, helps to advance it and, if it runs out of steam, to consolidate and relaunch it. What is still missing, and what research should contribute to, is understanding and building a general systemic theory of what may increase the resilience of local development, what may weaken successful processes of local development, both internally and externally, and what may put the process in motion again.

Traditionally, there are also perhaps the most challenging questions that theories, analyses and case studies of local development seldom dare to raise, but which have come increasingly to the forefront in recent years: what should highly developed localities and countries, their enterprises and governments, and international organizations change in their stance and behavior to foster and consolidate local development elsewhere? Should external support take the initiative directly or should it rather contribute to fostering a context more conducive to local development through locally governed and owned action? International political and economic relations, and also inter-regional and regional-national relations, are often depicted as zero-sum games. According to this perspective, any case of successful local development increases international competition and supposes that the newcomer obtains its proper place in the international or national arena at the expense of older development localities. If this is the case, it would make sense for the latter to help the most desperate cases (e.g. to avoid unwanted inflows of

refugees, or to soften the worst consequences of military intervention and stabilize friendly countries, but not to cooperate with potential competitors).

If the game is a positive sum one, as it generally is, this approach is myopic. Not contributing to the dynamic and resilient development of others prevents the global arena from becoming wealthier and more stable, and rights more diffused and guaranteed. This deprives developed localities and countries from the opportunity of sharing these advantages. The best way of playing a positive sum game is to open up developed localities' and countries' economies and societies to deeper interaction through trade, cooperation and alliances among equal partners. Obviously, this approach strengthens competition and disadvantages some developed localities or their internal components. These constituencies being less competitive or rent-seekers, it should be in the interest of the developed localities and states to reallocate resources to better uses and compensate the losers with part of the gains. Unfortunately, these kinds of engagements are rarely credible *ex ante*. Moreover, losers and coalitions of would-be losers may be quite powerful and take revenge in various ways, including through the electoral process, as various cases in Europe and North America give witness. Thus providing external, one-way help for less developed and problematic localities is ultimately easier, even if it may be less effective at contributing to their development.

Along with "vertical" processes between the developed and the less developed, horizontal processes also need scrutiny. An excellent topic for further research in comparative local development would be the careful mapping of the relation between one locality and the others in the same country and abroad. This should be done from the perspective of positive-sum interactions in order to understand the approaches and factors that can be activated to build and strengthen coalitions that want to pursue the advantages of a positive-sum game, including how to compensate credibly the potential losers. Here, a suggestion by Sayer and Campbell (2004) may be useful, albeit indirectly. Organizing multidisciplinary teams to tackle a problem as complex as local development seems sensible and easy enough, but meets with barriers of different kind that often mean that such attempts result in failure. Yet this is not always the case, as proved by the successful collaboration of large teams of diverse scientists in space research, computer technology development, and the study of life-threatening diseases. These are typically scientific endeavors with vast and rewarding commercial applications.

9 Further challenges and research perspectives

Unfortunately, as seen in the previous section, most of the cases relevant to the social sciences may be different and much more complex than those of the other sciences, in particular in the case of local development. Even the apparently closed field of study of small- and medium-sized enterprises (SMEs) in local development hardly attracts multidisciplinary approaches and a sufficient amount of dedicated and focused resources, and lacks efforts to make a difference and overcome the danger of failure. Moreover, the cost of failure in this latter case is borne not by scientists and governments, but by the

lack of opportunities for potentially entrepreneurial people, their employees, stakeholders, and taxpayers. In broader projects of local development and in fields of poverty, destitution, and conflict, the greater cost is borne by the poor, the destitute, the socially weak, and the threatened. But these are weak constituencies who can hardly mobilize alternative resources and, even less, political support, except perhaps through the unlikely threat of armed conflict. On the other hand, such efforts offer good opportunities for specialists to obtain substantial rewards by working on such projects, as the share of transaction costs in the budgets of projects fostering local development and support testify.

It seems that projects and initiatives for local development have an in-built weakness: a lack of focused interest and potentially conflicting interests among those involved, constituting an interesting case of the failure of collective action. Research is needed to better understand how to streamline interests and focus interests and action on relatively simple goals with achievable returns. Much of the effort that goes towards fostering local development has a public, or at least collective, nature and this may weaken the interest and effort of individual participants, and increase uncertainty concerning the direction and consequences of such efforts and the allocation of costs and gains. The governance of these projects and this action is of the utmost importance, and comparative analysis and comparative case studies may provide an extremely useful instrument for this purpose. This book offers hints in this regard, such as in the study by *Horvath* of travel and tourism, or *Orbán*'s analysis of social and cultural innovations.

A third important issue that needs work is identifying a comprehensive indicator or set of indicators that permit the assessment of progress in local development, the evaluation of its internal and external sustainability over time, and the appearance of problems and threats. In recent work based on a previous study, *Lange et al.* (2018) further elaborated an interesting approach to the analysis and future of development. While the World Bank study looked mainly at countries, it also provided important suggestions that comparative analysts of local development could and should appropriate and utilize. The study investigated development through the comprehensive measure of wealth to monitor sustainable development in a country. The measure of wealth is treated as an indicator complementary to gross domestic product (GDP), which measures only current income. The study considers that development involves managing a broad portfolio of assets, including produced, human, and natural capital. Such consideration of comprehensive national wealth signals if GDP growth can be sustained over the long run.

One interesting finding of the World Bank study, which should be carefully considered in comparative local development research, is that more than two dozen low-income countries are now classified as having middle-income status. These are countries where wealth is mainly comprised of natural capital – in contrast to high-income countries, in which human capital accounts for 70% of wealth – and that have succeeded in upgrading development in part by investing resource rents into infrastructure and education and health; i.e., by investing in human capital. Wealth accounts also indicate areas of concern

in those low-income countries – especially in Sub-Saharan Africa – where rapid population growth has outpaced investment, thus decreasing per capita wealth, and in 12 other countries in which the percentage of people living in extreme poverty has jumped over the last decade. These cases demonstrate that rapid investment in infrastructure and education and sustainable long-term management of the natural asset base are necessary for materializing the potential advantages of population growth. Moreover, out of the 13 fragile and conflict states that have remained low-income since 1995, a majority are resource-rich but have failed to use resource rents to build better institutions and invest in people. This is an observation that highlights the link between poverty, fragility, and governance.

These conclusions strengthen the various findings of the present book. They also offer a useful approach to the analysis of local economic development and provide hints for other social scientists. While it is true that the existence of a national government for implementing policies, re-allocating resources and transferring income may be to the advantage of local development, it is equally true that a lack of borders and the barriers that go with them may make the outcome of market and ungoverned processes more extreme.

10 Conclusions

This book offers an up-to-date perspective based on an open, multidimensional view of local development. It also provides evidence of and support for the well-established perspective of the varieties of local development. The latter has important merits, particularly considering that this was not always so. Indeed, local development has had dissimilar meanings in the past and policy suggestions and implementation were different. These separate approaches were sometimes successful and even contributed to the overall development of countries. Consider, for example, two cases described in this book: Italian industrial districts in the post-war period, and the successful recovery of the central Nepalese region from an earthquake. Being largely based on local resources, these examples show that a closed type of local development may be successful.

These successful cases refer to a time that was different to the present: the general context was dissimilar, problems were distinctive, and policy-making was different. Yet the case of the development of Italian industrial districts also proves the advantages and threats of international integration in the frame of globalization. The political and institutional foundation for globalization was laid by the allied powers in Bretton Woods in 1944 and further developed in subsequent decades. While this involved fundamental institutional changes at a global level, other processes took place at a regional, inter-country level, based on, and further strengthening, the process of globalization. First among these was the process of European unification and the accompanying processes of administrative decentralization.

Globalization has directly affected states, but reflects inevitably on localities, for both external and internal reasons. Externally, globalization has strengthened the pressure to compete and create common social and political standards. This has required that countries activate all their internal resources: the promotion of local development and opening up localities to interaction with the rest of the country were important instruments for reasons ranging from economic and political convenience to the build-up of national and international infrastructure, to defense, and law and order.

To appreciate the opportunities and threats of globalization, it is important to distinguish between mobile and immobile resources. The former include people, but also finance and ideas. The latter include real estate, agricultural land and areas of natural beauty and resources. In a globalized world, mobile resources can come and go and any locality wanting to flourish has to retain its mobile resources and attract others from outside by respecting and nurturing the three dimensions of local development – efficiency, stability, and rights – to make the locality attractive. Immobile resources are stable and may create a patient, resilient basis upon which to build a strategy of local development. However, their economic and social meaning and their natural value depend on local ability to preserve, cultivate and upgrade them, thereby influencing the chances of sustainable local development.

In a classic example, when a road or railroad is built across a locality, external people have an opportunity to reach that locality as tourists, businessmen, workers, or in other roles. Local people in turn may find the opportunity to visit the world, serve in the national army, or look elsewhere for better paid jobs or opportunities. Consumers may start to choose between locally produced goods and imported goods, while owners of capital have the opportunity to invest outside the locality, and so on. Yet others may find a threat in this in the form of the destruction of traditional jobs, depleted environmental assets and pollution, etc. In short, the locality has now to pay attention to being as attractive as the surrounding localities, including for its own inhabitants. At the same time, it has the opportunity to benefit from a broader spectrum of opportunities. This new situation drives the need for different approaches to and instruments of policy-making. The more the situation evolves, the more policy-making has to change to be effective. International organizations such as the OECD and the World Bank have often stressed this principle in their publications.

Different important messages emerge from this book. The most important one is perhaps that globalization offers important opportunities for pursuing efficiency, stability, and rights. The book also offers a diversity of precious analyses and case studies of important issues and situations. The main objective is to provide a detailed and sound basis for what is increasingly recognized as the main driver of local development: education.

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Notes:

¹ It is important to stress that an important and burgeoning literature exists about the role of knowledge in economic and social activities and its relation to local development, usually linked to entrepreneurship and innovation (Asheim and Parrilli 2012; Camagni and Capello 2009).

² On the role of policies for local development, see Viesti (2002).

³ Krugman (1995, 48) appropriately observes that “the supply of factors to any one region or locality will typically be very elastic, because they can come from someplace else”. However, one should note that agglomeration also involves more complex and subtle aspects of a different nature that find proper representation in this book.

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