
ECONOMIC THEORY AND POLITICS OF REGIONAL DEVELOPMENT: ONE VIEW OF THE ORIGIN AND TRANSFORMATION

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Abstract: Economic development, as the original (natural) aspiration and primordial need of every individual, as well as society as a whole, has its own regional aspect in addition to the national one, which, under the influence of numerous factors, always takes place and is realized as an uneven development. The unevenness of regional development is, therefore, constant, that is, its existence represents a general legality.

In conditions where development takes place as a spontaneous and not as a socially directed process, unevenness leads to the appearance of large regional differences. That is why there is a permanent need to study regional development, and this need is becoming more and more relevant every day. This is, first of all, the result of the fact that during many years of research it has been confirmed that regional development, due to its importance and impact on overall socio-economic flows, quite justifiably represents one of the central areas of interest of economic science. In addition, the topicality of the study of regional development is growing as a result of the emergence and presence of large regional differences in the economic reality of many countries, regardless of their level of development.

Over time, in accordance with changes in the global environment, socio-political, and on that basis, economic systems, the way of observing and understanding regional development has also changed. Starting from the above-mentioned positions, the goal of the research is to, based on relevant theoretical knowledge, look at the origin and development trends of the theory and policy of regional development.

Keywords: Theory and politics of regional development, "golden age" of theory and politics of regional development, neoliberal theory and politics of regional development, contemporary understandings of theory and politics of regional development.

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Introduction

Regional development as a theoretical discipline, but also as a certain economic-political practice, is a relatively recent phenomenon because, under the influence of the teachings of representatives of the classical school of economic thought and their long-reigning doctrine of *laissez-faire*, it entered the economic scene with great delay (during Great economic crisis in the period from 1929 to 1933) "... since ... he was looked upon as an unwelcome guest for a long time" (Čobeljić, 1975, 233). Namely, the representatives of the classical school in their works neglected regional development or they tacitly ignored it and with their teachings on economic liberalism, price flexibility, complete mobility of production factors, free competition, automatic leveling of regional differences, the attitude that regional distribution is determined by non-economic factors, the position that regional development does not contain elements of economic rationality and they thought that all disproportions that may appear, including regional ones, have a temporary character. However, under the influence of the problems that arose during the mentioned crisis, there is a very quick and sudden turn and regional development, in a very short time, becomes one of the most important areas of interest within economic science. "It is difficult to find a similar example in history that a problem with its political and economic importance imposed itself with such force and speed, as is the case with regional problems in highly and medium-developed countries of the West" (Mihailović, 1962, 12). From an "unwelcome guest", as it has been treated for a long time, regional development has become one of the central issues dealt with by economic, and not only economic, theory and politics.

Interest in the study of regional development was aroused by large regional differences that manifested themselves through wide territorial defor-

mations (superconcentration, depressed areas, center-periphery conflicts, dominance, and the like) that the free operation of market laws, by itself, did not solve, especially in the years mentioned crisis when the differences deepened even more. This resulted in the beginning of the involvement of the state in economic processes (Rosić, 1979). The problems that arose during the crisis contributed to a critical look and re-examination of the teachings of the classical school. It was a period of abandoning the misconceptions sown by the doctrine of *laissez-faire* (Čobeljić, 1975). The reality, which could no longer be concealed, made it clear that the market mechanism is not capable of eliminating regional differences, but, on the contrary, deepens them more and more.

The first measures of state intervention in this area were undertaken in England. "It is a historical paradox that England, which one protectionist viciously noted put a Gospel of Adam Smith in every box of its goods, was the first country ... which proclaimed the necessity of state intervention and thus denied the basic political and economic conceptions, on which she so persistently insisted for more than a century and a half" (Mihailović, 1962, 15).

The theory and politics of regional development experienced, over time, a transformation, going through periods of deep changes (Polèse, 1999) so their more complete and easier understanding necessarily imposes the need to include the historical aspect in the process of their research. This is due to the fact that human society is in a constant, evolutionary movement, and in that sense, depending on the changes in the social system and the general value system, the economic system changes as well.

In accordance with the above, regional development, at different levels of socio-economic development, has a different role in economic theory and practice. In this sense, viewed from the historical aspect, several different periods can be singled out when looking at regional development as a kind of theoretical-methodological and applied economic-political phenomenon. In each of those periods, one can observe a characteristic, and peculiar to that period, understanding of the goals, role and importance of regional development in a national economy.

Starting from the above-mentioned points of view the main goal of this paper is the analysis of the origin and development trends of the theory and policy of regional development through three main periods of its transformation: *firstly*, in the period from the fifties to the seventies of the 20th century - the "golden age" of the theory and policy of regional development, *secondly*, in the period after the eighties of the 20th century, known as the period of neoliberal theory and policy of regional development and *thirdly*, in the period of modern understandings of the theory and policy of regional development in the 21st century.

1. The "Golden Age" of regional development theory and policy

Economic development, as the most important part of the unique development process, has two inseparable aspects: sectoral, that is, branch and regional aspect. At the same time, the same, under the influence of numerous relevant factors, always takes place and is realized as an uneven development. In fact, it is only possible as such, because precisely this unevenness is the source of development (Gligorijević, 1991). As a consequence of uneven development, regional differences arise, that is, differences in the level of development between individual areas. These differences are always present to a greater or lesser extent in the economic reality of all countries of the world. Regional differences have, in fact, always existed and that is why it is rightly pointed out that they represent a phenomenon that is as old as human society (Uvalić, 1972, 11).

Regional differences represent a phenomenon that, in the economic reality of all countries of the world, will always be present "... because there will never be even territorial development, and that is because there is no even branch development. In one period, certain branches and the territory where they are located can be at the very top of development, and then, with major changes in the structure of production, with the emergence of new branches to the fore, territorial differentiation begins, the emergence of new areas, and the reduction of the role of the previous ones leading areas" (Stojanović, 1987, 165).

So, it is about a phenomenon that, viewed from the temporal aspect, is permanent (temporally unlimited), that is, about a phenomenon that is always present in economic dynamism. This is because all areas on the territory of one country, for objective reasons, cannot have an identical economic structure. An identical structure of the economy can never be formed. After all, even if it were possible, it would not be rational. From this comes the conclusion about the permanent existence of regional differences in the economic structure of each country, that is, "...the conclusion about the inevitability of the existence of certain differences in the level of development of certain regions" (Rosić & Gligorijević, 2001).

Over time, regional differences took on large proportions and led to the appearance of problems of all kinds (economic, political, social, cultural, ecological and others) and, beginning in the thirties of the 20th century, they attracted a lot of attention. However, despite this, regional development experienced its fuller affirmation and its "golden age" only after the World War II or, more precisely, the term "golden age" of regional development refers to the period from the fifties to the beginning of the seventies of the 20th century.

Namely, after the big and sudden turn that occurred as a result of the *laissez-faire* doctrine's inability to respond to challenges arising in practice, the theory of regional development began to develop at an accelerated pace, bringing more and more significant scientific results. However, its accelerated development was interrupted by the World War II, so this theory experienced its "golden age" much later - after the end of the war. For the purpose of a more realistic analysis of this period, it is necessary to point out the socio-economic circumstances, characteristic of that period.

After the World War II, in the devastated Europe, it was necessary to start implementing measures and instruments for the economic recovery of the destroyed economy of all the countries participating in the war. However, the economically and demographically weakened European countries, in that period, did not have sufficient accumulation, as a source of investments needed for economic recovery and overcoming regional disparities. From various geopolitical and economic interests, the United States of America created a plan for European reconstruction, better known as the "Marshall Plan", which provided for the injection of capital needed for the reconstruction of European countries. At the same time, the question of the even distribution of that capital arose, as well as the question of creating adequate economic structures that will give the best results in the countries of Europe.

The aforementioned facts, considering the nature of the research subject, enabled, at the same time, an accelerated and high-quality development of the theory and policy of regional development. Five years after the end of the World War II and after the initial post-war reconstruction, conditions were created for the application of research and models of regional development, but also for their further development. This period is characterized by the Keynesian approach and the concept of the so-called "welfare state". Growth rates were bigger, unemployment was reduced, and the economic systems of the countries functioned according to Keynesian principles.

When looking at the phenomenon of regional development in the period of the "golden age", one can first of all notice the active role of the state in the creation and implementation of regional policy. The researches of numerous authors from that period talk about the importance of the region as the basic subject of studying. Even in that period, it was determined that the unevenness in the level of development between regions is one of the main drivers of economic, and thus, regional development. However, in those studies, regional development could not experience its complete affirmation (Mihailović, 1962).

The unevenness of regional development represents a general rule, which is why the economy is never in a state of complete equilibrium (Arandjelović & Gligorijević, 2008). However, this unevenness should be

reduced to certain socially acceptable limits, which is the basic goal and reason for the existence of the theory and policy of regional development.

The aforementioned approach to regional and economic development was current until the mid-seventies, when there were significant changes in the entire socio-economic reality, and then in the current economic paradigm. Namely, the oil crisis, as well as the appearance of stagflation, led the creators of macroeconomic policy to replace the previous Keynesian concept of economic management with a new concept - monetarism. This, on the one hand, resulted in the emergence of certain processes such as: deregulation of the economy, privatization, reduction of commitment to social protection, then focusing on international competitiveness and favouring the role of the market over the role of the state (O'Connor et al., 2001; Beer et al., 2003), while, on the other hand, interventionist programs aimed at ensuring socio-spatial equality, decentralization of industrial development and investment in infrastructure and services were abolished (Tonts, 1999). Therefore, this period of development is known in economic literature as the crisis of the "golden age" of regional development.

2. Neoliberal theory and policy of regional development

After the period of the "golden age" the market mechanism is again introduced as a criterion of efficiency. Namely, the concept that reducing regional differences requires the state as an active actor in economic life, was abandoned, and the understanding that regional differences will be automatically mitigated through the market mechanism is renewed. This period is called the neoliberal era of regional development theory and policy.

The return to liberal understandings, that is, the introduction of the concept of neoliberalism, on the one hand, favours the market and market mechanisms based on the principle of *laissez faire*, while, on the other hand, any state interference in economic life and any form of state interventionism is considered unjustified. Such trends, however, have led to the weakening of the so-called social dimension in the business operations of economic entities. In the Keynesian model of the "welfare state", care was taken to satisfy the general social interests, which, from a hierarchical point of view, were above profit as the main goal of business operations of economic entities. However, focus on the market mechanism led, among other things, to conflicts with unions, and as a consequence of those conflicts, the process of moving capital from areas where workers' rights are at a higher level to those areas where workers' rights are at a lower level. Such movements of capital led to a permanent increase in unemployment in certain regions, to a drop in aggregate

demand, and thus to an increase in regional differences. At the same time, the application of a purely market mechanism led, on the one hand, to the decline of certain, by market criteria, inefficient branches of industry, while, on the other hand, states and regions that more flexibly adapted to market conditions and, at the same time, had the necessary quantities development resources, recorded constant growth and development at the expense of others. In this period, a constant growth of regional differences can be observed and, in this sense, it was necessary to consider, formulate and implement new, more innovative models of regional development.

Authors from the field of regional development, in this period, believed that the market would reduce the regional differences that it created, with its own mechanism. However, as with the liberal and neoliberal concepts, the market mechanism could not adequately alleviate regional disparities without the active role of the state. "The result of their application is the further deepening of regional development mismatches" (Lokin, 1979, 83).

The question is very often asked: what is the key reason for the failure of the market to reduce regional disparities and solve other problems of regional development? One could, quite freely, say that the problem, primarily, lies in the basic assumptions of the representatives of the neoliberal theory, which were wrong from the start. "Those assumptions are: that there is full mobility of production factors, that the conditions of perfect competition operate and that based on them the interregional movement of labour and capital is realized in accordance with the differences in the demand for these production factors" (Čobeljić, 1975, 247).

If we look at the two basic production factors, labour and capital, it can be noted that their movement, under the influence of a combination of different factors, is selective and uneven. The population migrates to areas where it will be easier to acquire the conditions necessary for existence, i.e. to areas with a higher average income (Manasijević, 2018). Namely, the labour force will, according to its natural movement, move from less developed or backward regions to more developed ones, which, as a rule, have better existential conditions. So in this sense, already backward regions are left without their basic development resource - qualified labour force. With the negative effects caused by the automatic movement of labour and the automatic movement of capital, at the same time, regional differences are further deepened. Capital also, according to an unwritten rule, moves from underdeveloped and backward areas due to better and more stable conditions of capital placement such as: concentration of production activities, developed infrastructure network, easier business communication, wider market and so on.

As a result of such unfavourable trends, the production structure of underdeveloped regions becomes fragmented and even scarcer. Developed regions, however, continue their further development, drawing, at the same time, all the necessary resources from underdeveloped regions. In this way, a distinction is made between the production structure of developed and underdeveloped regions: in developed regions that record a constant influx of labour and capital, and under the influence of technical-technological progress, a developed production structure is created that is characterized by high-tech industrial production. On the other hand, in backward and underdeveloped regions, industrial production is being developed, which is needed only for the production and primary processing of raw materials. "With economic development, which is the case with all countries in which rapid industrialization took place, these differences (regional) are increasing more and more and will one day become an element slowing down the general pace of the economic, political and cultural rise of the country, viewed as a whole" (Uvalić, 1962, 270).

Guided by the aforementioned, and practically proven, movements, the conclusion is reached that the principles of neoliberal regional policy and the so-called theory of economic isolation were not able to adequately solve the problems arising as a result of uneven regional development (Arandelović & Gligorijević, 2014).

After the repeated failure of neoliberal regional policy in solving the problem of uneven regional development, the conditions in economic practice demanded the finding and formulation of new models, the implementation of which would alleviate regional differences and solve the problems of uneven regional development (Gligorijević, 2014; Gligorijević & Ćorović, 2019). Numerous authors who have dealt with the issues and problems of regional development have tried, in their research, to opt either for the natural mechanism of market harmonization of regional differences or for the intervention of the state. However, when analysing the problem of regional anomalies, one cannot be exclusive, so the answer to the question of the state or the market is only one - both, in an optimal relationship. The argument is informed by two key assumptions. First, the state should not be regarded as somehow opposed to capital; rather, capital and state enjoy considerable overlap in their objectives. Secondly, just as with capital, so with the state, there are forces beyond its control to which it must adapt (Ancien, 2005).

3. Contemporary understandings of the theory and politics of regional development

At the beginning of the last decade of the 20th century, there were major changes in the understanding of the problems of economic and, on that basis, regional development. The general progress during the last three decades has made it possible to think more deeply about the processes and dynamics of the development of national economies and regions and their capacities needed for proactive and reactive response and mastering of current changes in the environment. It is quite obvious that numerous topics have been developed, in accordance with the goals of regional development and regional competitiveness. At the same time, among scientists who deal with the theory and politics of regional development, there are different points of view (Veselinović, 2013). Some of these differences in viewpoints relate to the attention paid to the roles of subjective and objective processes and factors. However, at the beginning of the 21st century, due to the impact of the globalization process, the role of objective (external) factors gained more and more importance. In an industrial society, a significant determinant of the level of development of a region was the availability of natural resources, while in a post-industrial society other rules apply. Priority is given to the service sector, which does not have a pronounced direct connection with the territory of the region.

Looking at the genesis of the theory and policy of regional development, three generations of their approach can be distinguished: *the first* generation was based on providing support and creating "hard" infrastructure in areas where development was promoted; *the second* generation promoted initiatives aimed at strengthening "soft" infrastructure and intangible development resources, and development/business incubators, innovation centres, research and development institutes, training centres could be identified as the most frequently used instruments of regional policy of the so-called second generation and so on and so on *the third* generation of regional development policies, which has particularly asserted itself during the last two decades, gives primacy to the creation and development of networks and network organizations, then to the connection and establishment of various relationships between market participants, and on that basis to the initiation of endogenous (regional) development (Vazquez-Barquero, 2002, 152-170).

Networking is a modern form of regional development management. The state policy of redistribution, which dominated during the fifties and sixties, as well as development based exclusively on material resources, characteristic of the seventies and eighties of the 20th century, are no longer adequate measures of regional development policy. In the new, global

economic conditions, the competitiveness of the region is of primary importance. In this regard, innovation, the quality of human resources, the technological capability of companies, the flexibility of entrepreneurial and institutional organizations and the integration of companies and regions into competitive and innovative networks appear as important determinants of regional development.

Considering the dynamism and scope of changes taking place in the globalized world, maintaining a leadership position is not at all an easy job. Maintaining a high level of competitiveness requires training, learning and adopting the latest technological inventions. The effect that necessarily arises is ever deeper specialization in a specific field of business. Due to the increasing degree of specialization, there is almost no organization that can independently carry out its own activity without cooperation with other organizations that have specialized in other areas, and that precede or follow the observed activity in the production and transport chain. In global conditions, economic actors become very dependent on each other, so that their mutual cooperation, rather than competition and competition, becomes the basis for gaining a competitive advantage. As the relevant authors state, "...the drive to increase regional competitiveness results in increased cooperation between businesses, as well as between the public, private and civil sectors" (Stimson, Stough & Roberts, 2006, 388).

The application of information and communication technologies in all areas of business, production based on knowledge, learning and information, additionally contributes to the increase of uncertainty in the business environment. Increased uncertainty contributes to increased business risk. In order to reduce risks and achieve better results in the future, companies and organizations in the region are joining forces. Cooperation between regional actors is realized through different types of networking, by creating partnerships and strategic alliances. By acting together, regional actors can reduce risk and increase certainty. Mutual cooperation increases trust, so regions that apply this concept are called "high trust regions." Trust relationships contribute to faster information exchange, cost and risk reduction, and joint problem solving (Pike, Rodrigues-Pose & Tomaney, 2006, 92- 93).

Therefore, the concept of competitive advantage has been replaced by a concept based on cooperation, all in order to manage the risks that operate in the global environment. United in regional economic networks and alliances, and with the help of modern information systems, actors can more easily notice and anticipate future economic trends. The opportunities that arise are better exploitation of opportunities or more efficient amortization of negative effects. Associated companies, in the form of business networks or strategic

alliances, have a stronger influence on market trends compared to the influence of individual participants. The advantage is reflected in the fact that access to new markets can be secured through joint action.

The policy of regional development, in global conditions, is based on the promotion of those initiatives aimed at the development of the regions themselves, and not on the spatial (re)distribution of economic activities within the territory of the country. In short, the characteristics of contemporary regional policy are: reduction of usual financial support to regions; more emphasis on helping small and medium-sized enterprises, as well as "incubators" of development; support to producers in providing services; providing assistance to increase flexibility to face and adapt to challenges; encouraging innovation and coordination with other policies. The aforementioned characteristics of regional policy positively affect the quality of regional infrastructure, stimulate the spread of innovations within the region, encourage the start-up and development of companies, and so on (Jovanović, 2006, 540).

The process of globalization can be interpreted in different ways, but viewed from the point of view of modern market economies, it should be understood, first of all, as a strategic, thought-out process of development of a post-industrial society. Post-industrial society is also linked to the expansion of the transnational character of the economy, accompanied by pluralism and the combination of the public and private sectors, with the intertwining of mechanisms of market, corporate and public regulation of economic flows. As a result of the above, new forms of organizational structure based on the principles of network organization are emerging.

Under the influence of the globalization process, the concept of region itself evolves, that is, it acquires a new meaning. One possible understanding of the region is the traditional one, which defines it as an entity located in a precisely defined geographical and administrative space. It is the so-called essentialist observation of the region. However, in the modern era, in which space and time are compressed, the literature increasingly points to the point of view that the role of space in determining regions is reduced. It seems that there is a change in the understanding of the region, from a unit that is inseparable from the geographical space and the community in it, to an entity that is based on communication and networking outside the geographical space, in the virtual space. The criteria for defining, as well as for the very existence of the region, are shifting from essentialist to functional criteria. The demands of the new society, which are characterized by new information and communication technologies, activities and production based on knowledge and information and other forms of intangible values, as well as the virtualization of reality, are respected. Information flows are becoming more dynamic, and the need for territoriality is disappearing. In the new conditions,

the concept of the region is opposed by the concept of the network, as a new form of spatial, socio-economic relations (Očić, 2003, 50-52).

Technological development and information processing, followed by the development of transport and communication systems, increased the mobility and flexibility of economic activities both in space and time. The application of information and communication technologies and Internet services cause a gradual change in the socio-economic structure, from one based on geographical space to structures based on networks. The position of the national territory, as a basis for regionalization, is in a "problematic" relationship with concepts that may emerge in the near future, which can be defined as post-national, motivated by globalism, multiculturalism, diversity and postmodernism (Rylander, 1998).

Access and use of the forms of networks for informing and implementing development strategies will be a fundamental component of regional economic development in the future. Virtual infrastructure allows business people and investors access to those services that are not physically located in the specific region. The existence of a virtual infrastructure means that in a specific region there is a complete package of services for a potential user (investor), which is most often created through the cooperation of local organizations. Regional/local organizations create strategic partnerships and networks with the aim of preventing the entry of providers from outside the regional economy. The position of the regional economy is protected through association and networking of regional organizations (Suriñach, Moreno & Vayá, 2007, 25-35).

The impact of globalization on the regional economy will not be uniform, because the benefits of the virtual economy will be realized by those regions that will be able to attract professional and trained workers, with specific knowledge, skills and creativity, who are ready to use the advantages of the information age. This must be taken into account both from the theoretical and from the practical aspect of regional development.

Conclusion

Regional development, by its nature and essence, is a complex phenomenon that channels its influence on almost all segments of socio-economic reality. The complexity and importance of regional development stems from the previously mentioned position, and in this sense the impact of regional development on: demographic flows, territorial integrity of a country, pace of economic growth, national competitiveness, political-economic processes, the

level of cultural development reached can be considered, urbanization, ecology, (de)industrialization, (de)agrarianization, ethnic structure and so on.

Considering the fact that the economy is never in a state of complete equilibrium, an active role of the state is necessary to solve the problem of regional development. Based on examples from the historical course of the theory and policy of regional development, the mistakes of economic policy makers who allowed the spontaneous action of the market mechanism in order to reduce regional differences should not be repeated for one reason only - this concept is proven to be wrong. Optimal action aimed at reducing regional differences and solving problems in the field of regional development requires an optimal combination of state action and the market mechanism.

The problems of regional development are of such a nature that they can only be solved in the long term, whether it is the reduction of regional differences or the transformation of the structure of the economy within certain areas. A well-conceived regional development strategy and policy must, in addition to the economic, take into account the non-economic dimensions of economic development, as well as their specificities within each region with the aim of translating it from the existing state to a new desired state - a state of a higher level of development.

An integral approach to the strategy and policy of regional development allows, in addition to the diagnosis of the degree of regional development and the assessment of development potential, to observe the connection between goals and factors of development, with the aim that the result of development is always in the function of immediate satisfaction of human needs and his general well-being. For all this, a quality combination of theory and practice of regional development is necessary.

During the previous analysis, some of the numerous approaches to the theory and policy of regional development were highlighted. It is quite obvious that there has been a development of a number of key themes, in accordance with the constitutions of regional development, but the fact is that there are different points of view among scholars dealing with this problem. The number and diversity of theories and conceptual approaches, in the domain of regional economy, is so great today that there is a real need for their kind of systematization, which would also represent the development of economic thought in this area. In this sense, for the further development of the theory of regional development, it is necessary, first of all, to analyse and systematize the previous theoretical material in detail. In this way, the effective use of systematized theoretical knowledge about regional development could be achieved, with the aim of solving the problems faced by economic practice.

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