REGIONAL DEVELOPMENT THEORIES AND MODELS, A COMPARATIVE ANALYSE.CHALLENGE OF REGIONAL DEVELOPMENT IN ALBANIA

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Abstract:

Local governance is a broad concept and is defined as the formulation and execution of collective action at the local level. The purpose of local government is to ensure effective and efficient use of public resources and service delivery at the level closest to citizens. Regional development is a new concept that aims to stimulate and diversify the economic activity of a country (region), to encourage investment in the private sector, to create a new jobs vacancy and improves living standards of the country. Regional development policies are a number of measures designed and promoted by the central and local administration, but the cooperation undertaken at the actors are in a different one, which included the private sector and civil society. At the center of these regional policies or practices is the use of efficient potential of each region, being particularly focused on business, means promoting the development of the new enterprises, promoting labor market and investment, improve the quality of environment, health, education and culture. Traditional objective of regional development policies is the reduction of territorial disparities for achieving a relative balance between economic and social levels of development in different areas in the national territory. Regional development is the actual task of local government units in Albania, and is one of the tasks and challenges of the future. Currently it takes a special importance in the context of European Union integration. Reforms have begun to change the system in 1990 in order to implement local democracy and decentralization principles that are present today. Inequalities that exist within the region and between them indicate that in some regions the economic potential is not being fully utilized, and that it reduces the overall performance in national level.

Key words: competitiveness, regional development models, regional disparities, classic and neoclassic theories.

JEL classification: R500, R580

INTRODUCTION

The concept of "region" is part of analyzing the regional actors, how they consider and define "region. The focus of this study is the region as a political and administrative unit. The definition of "region" has been widened. (Keating, 1998; Green, 1999). A general understanding of "region" is the intermediary level between central and local level. It can be arranged according to geographical criteria and it may be homogeneous (i.e. watershed basin) or nodal (e.g. cross communication corridors); it may be define in the economic region based of the joint characteristics of production or interaction of labor markets; can be arranged in the base of social and cultural characteristics, however, the regions remain open and flexible systems. (Laughlin, 1996). How can be developed regions? Why some regions grow faster than others? What are the causes? These questions and the other take attention of different groups of researchers not only of economics but also of geographic, social and political sciences during the past 50 years. According to Keating, in traditional form of management of the territory, the relationship of the regions with the global market realized through the state. The regions ensure political base for states and in exchange, states

subsidized regional economy. In globalization conditions, regions are keeping their mutual relationship with the state and the respective governments, but the state has lost its monopoly on the region's relations with the world-wide markets and regimes. The position of the regions in the world-wide markets is not define from political alternatives, but the competitive advantages of regions and their ability to exploited with successfully these advantages. So we have a overcoming from static concept of comparative advantage in the most complex concept of public-private that maximized territorial capacity. Demographic changes, economic and social policies make these changes be constantly subject to reflect concrete reality. Regional economics has a long tradition in analytical research and policy modeling, with the aim to enhance our understanding of regional competitiveness conditions and of the emergence, persistence, and mitigation of spatial socioeconomic disparities. Unequal regional development in our open economy has prompted a longlasting debate on the validity and usefulness of economic growth theories in a regional context. The focus of the paper is to show the contribution of classical, neoclassical and modern regional development theories and to do the comparative analyze of the regional development models. The questions addressed are: Which is the perception of regional development and the impact of classical and modern theories of regional development? Could Albania to have a regional development model to achieve cohesion and spatial use of competitive priorities for sustainable development? If we achieve these two objectives, will occur in the same time or one after another? What will be the effects on the economy, territory and governance?

THE ECONOMIC DOCTRINE INFLUENCED ON REGIONAL DEVELOPMENT

To understand the complexity of regional development, we needed to present the economic doctrines and the influence that they had on regional development.

Table 1: Summary of economic doctrines on regional development.

The economic doctrine	Specific features	Perceptions of regional development	Impact on regional development
The neoclassical conception. Herbert A. Simion; Alfred Marshall, Vilfredo Pareto The Keynesian Conception. John Maynard Keynes	-Micro -economic conception economic capacity by wages, prices and low interest rates; -government intervention in the economy	-regional issue is seen as the result of spatial events generated by a series of improper adjustment of production factors; - economic activity is considered not only as a result, but also as a stage	- inability of neoclassical theory to explain the emergence and development of regional economy; - to know the reach of all economic activity and on this basis, to determine the next level of
Paul Samuelson The neo- Marxist conception Karl Marx	- as the rich countries of thought prosperity was achieved at the expense of the poor.	of regional development. -this doctrine has expanded from the international relations of regions within the country	development. -peripheral regions and small towns suffer a net loss of resources, while central areas, usually capitals, are considered the main beneficiaries of their
The monetarist Conception Milton Friedman	- interventionist policies promoted by Keynes are more harmful than beneficial.	-new dimensions of economic thinking are presented concerning the economic growth processes local/regional	-relative efficiency of production- speed or weight of a local economy, changes adapts regional, the ease with which a region can create their own market.

Source: Own elaborating using literature review.

Based on the table we see new vision of economic development that is different and depends on the complexity of the theory and factors behind its development. In a first step it is invoked, because of the perception over the development mechanisms, the neoclassical conception, that highlights the capacity of economic mechanisms for self-regulation. Neoclassical conception excludes state intervention in the development of local / regional unlike the Keynesian concept that considers the state's role is to become a trader directly involved in the activity of consumer, investor and generating jobs. Starting from these first two contradictory opinions, on how development should occur, it would appear, on the one hand, the complexity of economic mechanisms and the effects they can produce and difficulty in shaping of clear economic schemes, in terms of functional characteristics of a regional economy. Productive failure, generated by the lack of competitiveness of poor regions positioned in relation to factors of production, is also based on differences and regional disparities, issues highlighted by neo-Marxist conception. Therefore the resilience of production factors, specific to certain regions, will be the basis, for regional economic development, which will generate a systemic response, designed to increase the adaptability of regions. Developing markets, and relations of cooperation focused on strengthening strategic economic partnerships, will be the basis of strengthening inter-regional economic mechanisms designed to ensure stability and economic prosperity. Based on the first information that could be drawn so far we can say that the regional development focuses on economic self-regulating mechanisms, supplemented by government interventionist policies and the capacity of regions to be competitive, self-sufficient, and internal highlight the aspects and specific features of each region.

THE THEORIES OF REGIONAL DEVELOPMENT. THE THEORY OF UNEQUAL DEVELOPMENT

At the beginning of the 1960's there were emphasized a series of theories of unequal development of the center-periphery type, among their most important representatives being John Friedman, Stuart Holland and Gunnar Myrdal. The base idea of the development theory, as a chronological differentiation was formulated by Nobel Prize winner for economics, Gunnar Myrdal. He considers that the growth process is by essence and permanently unequal, which completely contradicts the neo-classical theory. Through its amplification effect, the endogenous growth of incomes creates differences between zones/regions, which lead to the emergence of a cumulative and circular causality process. Therefore, the underdeveloped regions and zones continue to exist, to the extent to which the mechanisms of the growth process only amplify the already existing development schemes, hypothesis also indicated by Gunnar Myrdal.

THE THEORY OF THE GROWTH POLES

At the end of the 1960's, the hypothesis according to which the town represents a development pole which allows a better balancing of the regions' development, conferred it a strategic place in elaborating territorial arranging policies. According to the growth poles theory, regional development emerges as an unbalanced, yet hierarchies' process, where a certain number of economic units play an essential role, which makes them stand out compared to others. These units which manage to stand out are called growth poles, and in the category of these units enter the large enterprises, the industrial platforms, the important infrastructure elements such as ports, airports, which manager, by their simple existence, attract and facilitate the emergence and existence of numerous activities or even the emergence of an urban pole with its own activity. In the absence of barriers which have as main objective the migration of the population and of the workforce, the emergence of growth poles can be accompanies by significant population movements, which constitutes another demographic-economic problem. Depopulation, especially qualitative, of the poorly developed regions and zones occurs, which influences and modifies the pace of the demographic evolution, the birth rate, the number of marriages, accentuating demographic ageing and, implicitly the decrease of competitiveness. The inability of the development strategies based on the theory of the growth poles or on the growth centers, to create an autonomous economic expansion in the underdeveloped zones/regions, to diminish the serious problems of poverty, revealed the limits of those theoretical constructions.

THE THEORY OF ENDOGENOUS DEVELOPMENT

Emerged at the end of the 1970's, the theory of endogenous development was established due to the changes occurred in the economic and political conditions existing in that period, more precisely, in the context of the economic growth stop and of the triggering of the crisis phenomena in all industrialized countries. The theory of endogenous development, as development manner, has two major components, respectively:

- selective regional autarchy;
- capitalization of the regional strategic advantage.

According to this conception, the regions cannot specialize in what they do best and, therefore, benefit of the results of their own efforts, since the resources that other regions have available give them a negotiation power on the superior market, and the only solution which can be conceived is to refuse to play this game, on the basis of certain rules, according to which, by definition, they will be defeated. Selective regional autarchy means an action that has as goal the satisfying of the needs of the region within their own territory, starting from the adoption of adequate economic policy measures at the local level. The second component of the endogenous development, namely the use of the regional strategic advantage, signifies a development of the export resources by means of a parallel export sector, under tight control and developed only in case of products for which the region has a favorable position on the market, regardless of the political or economic requirements, fact which confers it a limited character. The main contribution of this current to the development of the economic theory consists in conceiving spaces not only as a restriction, a distance between two places, a cost-generating source for the economic agents, but especially as a territory on which lives a community of people which is entitled to decide on their development.

THE THEORY OF THE EXOGENOUS DEVELOPMENT

The theory of the exogenous development aims to analyze the impact and influence that the external economic-administrative environment exercises on a local development system, preponderantly endogenous, having as finality the achievement of a homogeneous local development focused on the development of an innovative. Between the two theories regarding the endogenous and the exogenous development, we must indicate the existence of a relation of inter-dependency. The applicability of the exogenous theory, as well as of the exogenous factors, being strongly influenced by the functioning of a preponderantly endogenous local development framework. Both the endogenous and the exogenous factors contribute to the achievement "of a development process, mainly economic, in a certain region or administrative-territorial unit, which determines an increase in the quality of life at the local level", local development representing "the expression of local solidarity, creator of new social relations and manifests the will of the inhabitants of a region to capitalize the local resources".

The local development framework is composed of a number of six processes whose interaction leads to the emergence of local economic development: local autonomy, decisional decentralization, citizens' participation, public service supply, growth of the private sector and human and social development.

Table 2: Theories of economic development and influence on regional development

Theory	Specific feature	Perception of the regional	Impact on the regional of
		development	development
The theory of unequal development	development gaps are interpreted as chronological gaps;	it is considered that regional imbalances/ regional based on chronological gaps inherent in the integration processes, gaps that result in imperfect mobility of	underdeveloped regions and areas still exist, as far as growth mechanisms process enhances existing development schemes - parts of a territory is not necessarily the same pace of
The theory of the growth poles	development occurs through growth poles, which have to some extent, spreading through various channels, with variable effects on the economy;	factors of production Regional development is a process of balance, but also hierarchical, where a certain number of economic units that are essential highlights from the other.	development theory was not realistic enough in terms of necessary conditions to explain economies crowded emergence phenomena stopped filtering economic expansion, persisting regional imbalances.
The theory of endogenous development	selective regional autarchy - capitalization of the regional strategic advantage	regional development implies the possibility of mobilizing local resources to meet basic needs;	main contribution of this current development economics in the design space is not only a restriction, but rather a territory can also decide on its own development;
The theory of the exogenous development	impact of external environment on a local development system, mainly endogenous	the existences of a local development framework; - development of an innovative spirit;	existence of external innovative interventions; - development of local synergies

Source: Own elaboration using literature review.

The four theories with impact on regional development, linked above schools of thought come to help develop an overall vision of regional development, facilitating the identification of key elements of regional development. In a first step, regional disparities are analyzed in terms of access to resources and endogenous production capacity of each region, which generates an imperfect mobility of factors of production. Development of industrial centers that have the ability to attract labor and economic resources, the subject of analysis of the two theories, to show the growth poles and their impact on regional economy. Distribution of growth poles in the regions of development should be well proportioned. Positioning must cover through the activities provided and their diversity, regional throughout most efficient use of labor and endogenous regional economic potential. Regional development is presented as the theory of endogenous, as the result of internal economic factors and the development of regional strategic advantage of the services provided. A basic need in accordance with this theory is the main objective of the region. The theory thus proves its inability to perceive such a regional development regional collective effort, focused on economic interdependence, the implications at national and European. Theory excludes the possibility of developing regional strategic projects; its vision is focused strictly on a clearly defined territory and the means by which it can develop individually. In addition to this, exogenous development theory comes to highlight the importance of managing the external environment and internal inputs need to develop competitive and innovative spirit in developing regions. It follows that the unequal development of regions is due in the first instance of such chronological differences, which have stopped their access to resources. Growth pole position, an analysis based regional production capacity combined with a largely endogenous development process will contribute to the isolation region economically compared with neighboring regions. Local

entrepreneurship and hence the only solution is innovative insofar as it sought an integrated regional development.

CHANGING MODELS OF REGIONAL DEVELOPMENT

The localization theory is a part of the economic theory which analyzes the forces that determine the localization of the economic activities. The bases of this theory, which was going to open the way to the modern studies of urban and territory arrangement, were laid by Johann Heinrich Von Thunen, with his researches regarding the optimum localization of the agricultural cultures depending on the distance between the production place and the selling markets. Spatial economics focuses its attention on two all-comprising traits of economic life: distance and zone. The role of distance is exemplified by the fact that the transport expenses affect not only the market pieces, but also the location of the conditions favorable to production. On the other hand, the role of the zone imposes that the prices of different products be geographically outlined.

Table 3: Comparison between models of regional development

Criteria	Classical model	Modern model
Conceptual basis	Industrial location theory	Learning regional theories
	Key factors are regional attributes	Key factors are regional possibilities
	(production costs, availability of workers)	(innovative milieus, clusters network)
Policy characteristics		
Aims	Equity or efficiency	Equity and efficiency
Objectives	Employment creation, increase investment	Increase competitiveness
		(entrepreneurship, innovation)
Sphere of action	Narrow (economic/industrial)	Broad (multi-sectors)
Mode of operation	Reactive, base in projects	Pro-active, planning, strategic
Policy structure		
Spatial focus	Problem areas	All regions
Analytical base	Designation indicators, regional	Regional SWOT analysis
	exporting	
Key instrument	Incentive scheme	Development programmers
Assistance	Business aid	Business environmental
	Hard infrastructure	Soft infrastructure
Organization		
Policy development	Top-down/centralized	Collective/Negotiated
Lead organization	Central government	Regional authority
Partners	None	Local government, social partners
		voluntary, social society
Administration	Simple /rational	Complex/bureaucratic
Project selection	Internalized	Participative
Timescale	Open-ended	Multi annual planning period
Evaluation		
Outcome	Measurable	Difficult to measure

INTEGRATED HOMOGENOUS DEVELOPMENT

Integrated homogenous development is reached when the achievement of a balance can be established, from the perspective of the other dimensions of development presented before. Integrated homogenous development presupposes the intersecting of the measures targeting local development with those presupposing urban development, seconded by a series of measures characteristic to sustainable development. For a better understanding of what development requires integrated homogeneous gene ¬ need a graphic of how these concepts are interrelated.

The graphical representation of the interdependence of concepts aims to offer an overview of the modality in which the evolution of development the processes, by means of specific methods and techniques, determined the emergence of new dimensions of development, here mentioning the

urban, metropolitan, sustainable and regional dimensions, all these representing, in fact, dimensions of local development. From the territorial viewpoint, local development is the widest, targeting also interregional or cross-border level. The other forms – urban, metropolitan or regional, take into account different territories – urban areas, metropolitan areas, regions.

LED – local economic development

UD – urban development

MD – metropolitan development

SD – sustainable development

RD- regional development

IHD – integrated homogenous development

IHD = LED + UD + MD + SD + RD

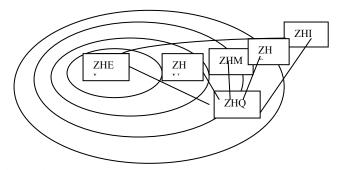


Figure 1: Relationship between models.

Graphic presentation shows us a picture of the evolution of the processes of development by including the urban dimension, metropolitan, regional, sustainable dimensions. In fact all represent local development dimension.

UNDERSTANDING OF CONVERGENCE AND DIVERGENCE IN ALBANIA SITUATION

Which will be the model of regional development in Albania? Will have a spatial development aiming cohesion or the emphasis will be on further development of competition based on the use of competitive advantages, resources and supporting policies? Will be considered both objectives together, only one, or sequentially? What are the effects on the territory and governance in Albania? According to Molle (2007), cohesion is often measured by its opposite, the lack of cohesion which in itself implies the existence of inequalities. So we measure the spatial disparities. Inequalities measured by various indicators, in terms of economic, social and territorial. "School of convergence" is inspired by neoclassical theories. It based on the principle that markets function efficiently. Spatially, development tends uniform diffusion and all localities/ regions are developed in a balanced way. School divergence argues that the system tends to create imbalance. Divergences occur because neo-classical theories are based on an assumption, which in practice does not occur as a result of practices limiting private sector and market distortions caused by public sector interventions. Technology and innovation (key factors for spatial competition), together with economies of scale play a role in concentration, agglomerate and polarization. (Molle, W. 2007). Convergence and divergence can be stimulated to occur in a linear or immediate, and in practice is difficult to have only one or the other. Usually, when D and C follow each other, a country going through different stages of development, which tend to stimulate one or the other. Spatially, first we have urban concentrations and then dispersal. Government policies change, initially oriented towards stimulating the efficiency and promote equality after the space. In the case where D and C occur in the same time or stimulated to occur in the same time, spatial trends are undefined, can occur both models, intended for economies of scale, imply the principle of "the stronger survival", and state policies to stimulate competition focused space efforts in the most disadvantaged regions. Some of the key practices that have been used in developed countries, and that can be adopted even in our country, are categorized into four main groups based on who uses the instruments each. So we have traditional politics that make use of basic economic instruments, policy that make use of innovation and technological development policy and economics who make use of social development, and policy who make use of capacity development. Albania was officially divided into 12 regions NUTS III and 3 statistical regions NUTS II; North, Center and South have different

demographic characteristics, the structure of the branches, as well as economic performance. North has an area of 37.9% of the territory, in second place for the size, and with a population of 29.2% to the total. Central Region has an area of 16.9% of the territory with the highest percentage of 35.8% of the population while the South region has the greatest surface area of 45.2% with a population of 35.0% to the total. Variability between regions in their size makes it difficult to compare regional economic performer using data absolute. This variability is measured using per capita indicator. The GDP level is low (27,6% of average EU27 nominal). The economic activity as reflected by GDP is highly concentrated, in central region, only Tirana generates 45% of the GDP, while 4 regions Tirana, Fier, Vlore, Durres generate 74% of GDP.

Table 4: GDP/capita (euro) level NUTS II

Regional level NUTS II	GDP/capita
North region	2,268
Central region	3,540
South region	2,283
Albania	2,697

Source: INSTAT (Regional calculation)

Regional GDP is low level in North (Dibra, Lezha). According INSTAT data, shows that the growth ratio of GDP/year in North region is 5.0%, Central region 6.3% and 5.7% for South region.

CONCLUSIONS

Exists high divergence in economic development compared with European countries. Migration is very important issue, especially in relation to high pressure on infrastructure and services in attractive areas. Depopulation leading to inefficiency of development and maintenance of infrastructure and services (schools, health care, roads, water supply, etc.), to diminishing attractiveness to population and business. Out - dated economic structure (extremely high employment in agriculture) combined with low level of urbanization. There is a lack of effective and efficiency of the development policies according the diversification of regions in Albania. The economic development of municipalities and regions, is not a local problem or only local government, it is a problem that relates directly with the economic development at the national level, with the creation of an encouraging climate for investment through the business in infrastructure and in the struggle for the reduction of poverty. The trend of regionalization is a process of unavoidable for Albania in its path towards European integration. Regionalization is not a legal obligation but a step for social and economic integration.

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