

Key elements for local development: practical examples for teaching

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I owe it all to my little girls and to you

Presentation

Globalization has conditioned the way territories act, increasing their participation in the global market and placing value on their human, technological, productive and cultural resources to generate competitive advantages, thus achieving an endogenous development of the territory.

In the process of territorial development, qualified human resources, business and public investment, innovation and institutions are particularly important, leading to the creation of local production systems, clusters and/or industrial districts. In this way, the territory can have the tools to compete at a global level.

Therefore, this didactic manual of key elements for local development: practical examples for teaching, in English, has a dual purpose. On the one hand, it includes a set of key elements that lead to territorial development and, on the other hand, it contains examples of development territories in different parts of the world. Thus, for national and international students who decide to follow the subject of local development, it serves as a guide and support for them to acquire the necessary competences and pass the subject. It also includes a set of multiple-choice tests with answers that will help them to relate to the content.

This manual is divided into three blocks. First, the theoretical part, which includes six key chapters for endogenous development. Second, multiple-choice test exercises with answers and third, practical examples of endogenous development territories, among them: Lombardy (Italy), Bilbao (Spain), Martos (Spain), Burdeaux (France), etc.

I. Integration, development and global economic crisis

1.1. GLOBAL CRISIS AND INTEGRATION

Countries, regions, and cities differ from each other in the quantity and type of economic, human, and cultural resources and strategic assets they have at their disposal. The process of economic growth and structural change as well as the level of well-being depend, above all, on the forces and mechanisms through which the process of sustainable development is fostered. Globalization is a process whose emergence some authors, such as Ferrer (1996), place at the beginning of the modern age, but that was truly consolidated during the period 1870-1914 (O'Rourke and Williamson, 1999). The present stage began around the mid-1980s, with a progressive increase of international trade, growth in capital flows, a new spatial organization of multinational corporations, and strong progress in information and communication technologies. Therefore, globalization means a remarkable increase in the integration of economic and financial markets.

1.1.1. INTEGRATION: AN INCOMPLETE PROCESS

Globalization is a process of integration that is associated with greater exchange of goods and services, the internationalization of capital, and an increase in the international production of multinational companies. The feature that most characterizes the current stage of the globalization process is the fact that the internationalization of markets, capital, and production is linked to the introduction of new technologies, especially information and communication technologies (ICT). This is in clear contrast to earlier periods, which focused more on the search for raw materials and new markets for products.

Is globalization really such an important and relevant phenomenon for the national economies? The available information shows that its dimension has probably been exaggerated, particularly when compared to previous periods in the process of globalization.

Ferrer (1996): globalization is a phenomenon that is not as extended as it appears to be. Although economic integration has increased during the last decade, there remain important areas of the national economies that are only indirectly affected by this integration. According to the United Nations, 75% of the global production has been sold in local markets, 90% of investments have been financed by domestic savings, and 9 out of 10 workers worked for national markets during the 1990s.

The diffusion of information and communication technologies has had a significant economic and social impact, but it seems relatively less important than the innovations of the period 1870-1914. It has facilitated the production and exchange of information between firms, financial institutions, and clients and suppliers; but there is less potential for increasing its effects on global productivity and for achieving the creation of new consumer products and investment goods, as did the electric engine from 1870 onward. Furthermore, even though the diffusion of information and communication technologies has favoured changes in the firm's organization and management, mainly in the systematization of administrative and routine tasks, its contribution to the transformation of hierarchical organization models of large enterprises and to improvements in the quality of human resources has been rather limited until now.

In the area of transport and communication, the period 1870-1914 was substantially more innovative than the current one, with the substitution of wind-powered navigation by steam-powered navigation, the development of automobile and aviation industries, and the expansion of the railroad. Therefore, there is plenty of room for new developments in the near future.

1.2. THE GLOBAL ECONOMIC AND FINANCIAL CRISIS

The advanced economies are experiencing a strong restructuring process in their service sectors. Financial activities were restructured following the shutdown of investment banks and their absorption by commercial banks. As a consequence of the reduction of financial activities, job loss has increased and branch networks are being restructured. In emerging economies, industrial restructuring is also taking place because of the sharp contraction of international demand, foreign trade, and direct investment. The fall in international demand and the financial restrictions have reduced trade in all productive activities, mainly in manufacturing, and have provoked a fall in commodity prices and therefore in the terms of trade.

1.3. ECONOMIC AND TERRITORY DIVERSITY

As we have just seen, during the past 25 years the process of economic integration has accelerated and the competition between firms, countries and regions has increased. This has induced the adjustment of productive systems, the transformation of labor markets, an increase in income, and an increase in the population's standard of living in many of the territories. However, this type of generalization is scarcely valuable, for there is in fact a multitude of situations in localities and territories that reflect the complexity of the economic, social, and institutional systems, as shown by the discussion on the ongoing global crisis. The economic dynamics of cities, regions, and countries are very different from each other. Each locality or territory has a set of material, human, institutional, and cultural resources that jointly constitute its development potential.

Therefore, at any given territorial level, one can find a determined production system, labor market, entrepreneurial capacity and technological knowledge, natural resources, social and political system, and historical and cultural heritage. Every economy articulates its processes of growth and structural change based on its development potential. Moreover, as a consequence of market exchange between firms and the other economic actors, very different results are obtained, which establish a great variety of economic, political, and social situations as well as projects and processes. The changes in taste and demand have meant a divergence from the existing range of products supplied by firms, altering the competitive capacity of regions and cities in poor and rich economies alike. The deconcentration of productive functions, the increase in subcontracting, and the expansion of financial and business services have in turn introduced new changes in the economies and production systems of cities, regions, and countries.

The results have differed from one economy to another, depending on the capacity of each territory to respond to these new challenges. Research studies suggest that the factors which have determined the processes of structural change and economic growth are the diffusion of innovation through the productive fabric; the skill of human resources; the learning capacities of entrepreneurs; the transformations and adaptation of institutions; and the integration of firms, cities, and regions into competitive and innovative networks on a national as well as international level. This spontaneous process that economic, social, and political actors engage in has made the economic and territorial systems more diverse. New products have appeared, some production lines have differentiated themselves, and the territories have adopted new economic and productive functions. The urban and regional system is becoming increasingly polycentric, and regional and urban hierarchies tend to be reduced to the degree that relations and networks of firms and cities intensify, precisely as a consequence of the effects of globalization.

The increase and diversification in the production of goods and services, and hence in those activities that foster and stimulate the production system, have diversified the territorial system. There are two processes that explain this:

- 1) The conditions are created for a greater diversity of economic, political, and organizational functions of the cities and regions within a more closely related and interactive system.
- 2) The increase in the variety of products and activities has reduced the capacity to concentrate productive and commercial functions in one city on urban region due to diseconomies of agglomeration.

The increased diversity of territories and production systems can be appreciated particularly in the dynamics of the rural areas, in both developed and developing countries, which have experienced a period of ever-more complex adjustments as a result of the crisis in traditional agriculture, depopulation, the lack of basic infrastructures, and the pollution and contamination of the environment. Rural development presents a special problem in a world where the international division of labor is changing. In this new framework, everything seems to indicate that for the rural areas the best option is to specialize in productive activities, including non-farm business and specific services, in which they have a competitive advantage in national and international markets.

When the differentiation of rural territories is analyzed as a function of their integration into the international economic system, of the distance to markets and the capacity to learn on behalf of the local society, a great variety of situations appears:

- A) Remote rural areas: Amazon, Tibet, Sub-Saharan regions, made up of isolated territories with fragile production systems, frequently show a low density population which relies on natural resources and a historical and cultural heritage that is constantly deteriorating. Therefore, the possibilities of entering into a path of self-sustaining development, using their own resources, are very limited. In the marginal zones of metropolitan areas, such as some peripheral districts of New York City or Caracas which are physically well integrated into the international markets, insufficiencies in terms of the knowledge accumulated in institutions and firms and in terms of the citizens' and enterprises' capacity to learn are notorious. This limits their development potential and restricts the process of development.
- B) In those regions which are not well connected to markets but have a significant development potential, such as the Orinoco region in Venezuela, local actors can make use of the resources and capacities that exist in the territory and integrate the territory into the global economy. Therefore, in rural regions with a high innovative capacity that are integrated into the global economy through multiple network systems (productive, commer-