

Recensioni – Book Review

edited by Ugo Fratesi

Leadership and Institutions in Regional Endogenous Development. Stimson R., Stough R., Salazar M. (2009). Cheltenham: Edward Elgar. 168 pages. ISBN 978-1-84844-059-3.

The economic success of regions has been addressed by many scholars since the early twentieth century. The earlier, rather simple, methods to determine the factors behind the successful transformation of cities, urban agglomerations and regions have been replaced with more complex ones. To date, however, no perfect theory or model has been developed. Nevertheless, the issue is highly topical in societies struggling to cope with continuous glocal economic transformation.

Robert Stimson and Roger R. Stough with Maria Salazar present a contemporary overview of regional economic development in their book *Leadership and Institutions in Regional Endogenous Development*. The compact 151-page book consists of ten chapters divided into general remarks on the earlier theories and models, a new model by the authors, and a short overview of empirical examples from the United States, Europe and the Pacific Rim. The setting is very promising.

As the title suggests, the book emphasises the role of leadership and institutions in explaining regional economic development. The epistemological framework of the book is endogenous regional growth and development. According to the authors, the role of leadership (with entrepreneurship) and institutions has been underestimated and simplistic in earlier research. Their main claim is that strong leadership enhances the positive capacity and capability of regions by setting a vision for the future development of the region, implementing plans and processes that facilitate institutional change, monitoring regional performance, and adjusting strategies and plans. This is a clearly proactive strategic development approach. Not much is left for the opposing stakeholders in regions.

The book reviews the economic growth models. It starts from the simple theories and continues to the more complex ones. In the standard model, economic growth occurs through the combination of capital stock and labour force. Growth can be enhanced by increasing capital stock through selected investments and/or the labour force's size. From this viewpoint, the

production function is crucial. This was explained by the Solow model, which added technological change into the earlier, simplistic models. However, the past decades have substantially enhanced our viewpoint on regional development. With the new growth theory, also research and development as well as human capital have been added to growth factors. Many sophisticated approaches have emerged in explaining the success and failure of regions. Regional innovation systems, innovative milieu, and competitive advantage models are just some of them.

The authors of the book are not completely satisfied with the earlier research. They pinpoint three major flaws: problems in identifying the knowledge-producing sector, problems in identifying and measuring the impact of human capital, and the lack of an agreed mathematical model for leadership, institutional arrangements, social capital and values behind regional economic development. The answer is a new framework in which to conceptualize and model regional growth and economic development.

The authors' model framework for regional endogenous development consists of three sets of variables: the quasi-independent variables are resource endowments and market conditions; the intervening variables are institutions, leadership and entrepreneurship; and the dependent variables are the outcomes, such as a region that is competitive, entrepreneurial and sustainable in terms of economic growth and performance, social equity and environmental quality. The authors then devote four chapters to explaining the variables in detail. They discuss

competitive advantage, scale effects, psychological and managerial leadership, governance, networks, contingencies, etc. The list is extensive. However, the treatment is somewhat descriptive and brief, with often less than one page per each complex concept and issue. More critical scrutiny and profound treatment would have lessened the critical reader's suspicions concerning the proposed model and its challenges.

The short empirical part is also somehow disappointing. It conducts a rather superficial treatment of very complex cases of leadership, institutional factors and entrepreneurship of various urban areas around the globe from Hong Kong to Chihuahua and from Tampere to Austin. Five cases from the United States are presented in 15 pages, seven cases from Europe in 22 pages, and four cases from the Pacific Rim in 10 pages. The observation is substantially based on secondary sources and is mostly descriptive and not entirely convincing.

The final chapter deals with the operational model for regional endogenous growth and some results obtained with it. The authors present a list of about 50 variables to be studied in time-series. The authors acknowledge that this is a challenging task: "The challenge remains as to how best to test such a model of endogenous growth and development, and to develop appropriate data sets for a number of regions and/or nations in order to do so."

The structure of the book is logical, and the text is written in a very clear and understandable way. It is not often that a reader feels that a scholarly book is too short. Another 150 pages of critical discussion about the variables and

more in-depth analyses of the empirical cases would have made the thesis more convincing. Nevertheless, the book can be recommended. It discusses the basics of regional economic development, thus furnishing knowledge useful to a student, and it presents more advanced elaborations for scholarly inspection.

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Urban-Rural Interactions: Towns as Focus Points in Rural Development.
van Leeuwen E. (2010), Berlin: Springer-Verlag. 200 pages. ISBN 978-3-7908-2406-3.

Diversity is an important dimension of the enlarged European Union concerning, for instance, living conditions, quality of life, and cultural traditions. Hence, the nurturing of diversity is an important goal which, paradoxically, requires the fostering of cohesion. Over the past two decades, the progressive enlargement of the EU has put diversity at the top of the Community's agenda and, through the Lisbon strategy, it is seeking to foster cohesion in a large and diversified EU. Therefore, the EU's policy toward development promotes social cohesion; it empowers and enables people to take advantage of social change; and it improves the quality of life (First European quality of life survey: urban-rural differences, European foundation for the improvement of living and working conditions 2006). In this context, the notion of quality of life offers a means with which to monitor the possible success of the Lisbon Strategy and the possible results obtained in meeting the challenge raised

by urban-rural relations for EU development policy.

A key element in the relationship between urban and rural is the town. Its important role in improving conditions in rural areas has been evidenced by several studies. In particular, the characteristics, relations, and flows of urban-rural categories have been investigated. It has emerged that towns provide markets for urban consumer goods and act as trading centers for agricultural goods from rural areas. Moreover, population growth and agglomeration in towns creates increased demand for agricultural products from nearby rural areas as well. Again, towns are seen as possible locations for providing non-farm employment for the growing rural population and, with expansion of employment in towns, they can be considered as alternative destinations for potential migrants to large cities. In fact, the rapid growth of large cities often results in regional inequalities, difficulties of governance, and problems of environmental sustainability. It follows that greater attention should be paid to towns. Towns are also considered appropriate for the concentration of public services, such as those for agricultural development and healthcare, and of educational facilities serving a larger rural population. It is assumed that the provision of agricultural credit and inputs at town level can introduce farming innovations, rather than allowing them to filter inefficiently down the hierarchy of urban centers and transportation routes (causing, for instance, time – and distance – delay effects).

Two main approaches to town development have been adopted in the literature. The first is the market-oriented

regional development approach, which considers local authorities as entrepreneurial actors rather than as mere service providers. In this way, the government invests in infrastructures (power, roads etc.), enhances the town's role in agricultural marketing of the hinterland, improves the marketing system by means of skills development, and gives farmers access to credit so that they produce and sell outputs on the market. This approach is based on the improvement of physical access to services and markets for rural people. The other approach is based on territorial development and assumes that towns within a self-reliant territorial unit can promote rural development through greater local control over resources, complementary urban-rural linkages and decision-making at local level. This approach suggests measures such as rural industrialization, diversification of agriculture, retention of surpluses at the local level and land reform, and encouragement of greater investment of rural resources in the local economy.

The basic difference between the two approaches is that, while the former emphasizes the need for market orientation/integration, the latter highlights the need for the decentralization of power to local level. However, these two approaches are not mutually exclusive. Rather, they can complement each other. The integration of towns and rural areas with the larger economy without political and institutional support for the former may generate disadvantages for towns and rural areas, with leakages of local resources to the outside. However, in spite of its important role, to be noted is the scant attention paid by researchers to this topic. By contrast, the carrying

out of in-depth analyses on how people live and perceive their circumstances in these areas is necessary. These analyses could consist of household surveys conducted to investigate how various life factors affect Europeans' quality of life. Key areas in this regard are, for instance, employment, economic resources, housing and local environment, family and household structure, participation in the community, health and healthcare, knowledge/education and training.

In this context, van Leeuwen's study is a combination of detailed theoretical and economic analysis which represents the right 'mix' with which to address the multitude of issues connected with the phases of analysis and consecutive planning of rural areas. Focusing on a very representative sample of countries and relative selected towns and hinterland areas, the adoption of calibrated econometric tools yields more precise information on how people live.

In particular, van Leeuwen deals with small or medium-sized towns, a specific category on which research has been, unexpectedly, rather limited to date. This type of town is of crucial importance because of its multifaceted relationships with surrounding areas. For this reason, the socio-economic behaviours of towns can be considered excellent indicators for policy-makers concerned with the implementation of particular policies in rural areas within the perspective of the decentralization of rural policies, as is suggested in the book. The flows of goods, services and labour between firms and households in a sample of 30 small and medium-sized towns in five EU countries have been measured, with a view to carrying out

a study whose outcomes may reflect the community's socioeconomic heterogeneity in terms of both enlargement and type of area (agricultural, touristic and peri-urban).

The study begins with an exhaustive theoretical exploration of town and hinterland interactions, providing a valid framework in which to highlight the key issues on which the subsequent analyses are carried out.

These analyses start by examining town-hinterland flows in terms of actors, activities, and goods and services. The level of detail furnished is the starting point for the following aggregate investigations carried out by means of regression analyses. These analyses identify the spatial and socio-economic characteristics of households that affect the share of purchases in town and hinterland. The results are further confirmed by utility functions (multinomial logit).

Worthy of note is the study's implementation of the SAM approach on the recirculation of spending within regions and, overall, the integration of micro and macro-models to simulate the effects of demographic and shopping behaviour changes (of households) and the distribution of these effects over different areas. In this case, the predicted increase in the number of households for the region analysed induces an increase in spending on groceries and a decrease in goal shopping, with direct effects in the retail sector and indirect ones on wage-payment and income. The projections on the possible measures proposed are noteworthy – with

due caution because of SAM's limitations in dynamic contexts, which might reduce the reliability of outcomes for policy implementation. In effect, the static nature of SAM drastically reduces the possibility to carry out analyses over time. The final result is a set of reports which attempt to identify potential similarities and differences in the quality of life from a town-hinterland perspective, raising important issues for policy-makers. Nevertheless, the heterogeneous methodology proposed can be extended and adopted in order to achieve outcomes for the entire community territory. The findings of this work can make a major contribution to shaping EU policies aimed at solving rural development issues and at improving the quality of life for residents of rural areas. However, achieving this goal, according to theoretical concepts of rural development, requires a strategy which also provides for diagnosis, planning, implementation and evaluation.

In conclusion, van Leeuwen's work achieves this goal: her methodologies identify a set of elements crucial for highlighting the multifaceted relationship between town-hinterland and the regional economy at different spatial levels and for different actors (households, farms and firms). The set of methodologies used could combine fully with the rural development approach as a standard for future analyses of local economies in rural areas.

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Anselin L., Bera A. (1998), Spatial Dependence in Linear Regression Models, in Ullah A., Giles D. (eds.), *Handbook of Applied Economic Statistics*, New York: Marcel Dekker, 237-290.

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Arbia G., Piras G. (2005), "Convergence in Per-Capita GDP Across European Regions Using Panel Data Models Extended to Spatial Autocorrelation Effects", Rome: ISAE, *Working Paper* n. 51.

For journals:

Arellano M., Bond S. (1991), Some Test Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations, *Review of Economic Studies*, 58, 2: 577-297.

For books:

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$$\forall t, s \quad M_{t+s} = M_t M_s \quad [3]$$

$$\hat{f}(x_{t+s} | x_t) = \frac{\hat{f}(x_t, x_{t+s})}{\hat{f}(x_t)} \quad [4]$$

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