DETERMINANTS OF REGIONAL POLICY – CONTEMPORARY PERSPECTIVE

Abstract. The contemporary concept of regional development has no clearly understood and accepted interpretation of meaning. In economic sciences, some researchers believe that the current concept of regional development applies to economic, social and cultural activity that has undergone significant changes in recent years. They concern, on the one hand, the assumptions on which the state's economic policy is based, and, on the other hand, the concept of sustainable development. Others argue that regional development is a complex process that depends on a specific set of factors that guarantee that development to varying degrees. These point out that the main causative force therefore consists of endogenous factors determining the development capacity of resources in its specific aspects. However, they do not discount the importance of exogenous factors, including changes in the macro-environment of the region.

Keywords: regional development determinants, regional policy, strategic management in regions, regional development measures, spatial management, regional space, financial potential of regions, creative region

JEL Classification: E62, R13, R58

Introduction. In the 21st century, knowledge, skills, innovation and creativity have become key individual resources (determinants) in the development of countries and regions. These factors shape a knowledge-based economy which develops under the influence of science, which leads to the emergence of new high-tech sectors of the economy and to introduction of innovation to the operations of the traditional manufacturing industries. Companies that are central to this concept play a key role. They create a new development paradigm.

The authors of this article, participating in the discourse seeking the determinants of regional development, wish to more comprehensively examine and popularise the meaning of such terms as regional development and its determinants, the creative region, and the economic and financial potential of the region.

1. Region and regionalism in contemporary development policy

Generally speaking, region and regional policy are not well defined. This
first concept refers to various spatial scales. It is often used to refer to areas as small as a municipality or to large regions perceived as a large geographical area e.g. Central and Eastern Europe. To avoid these misunderstandings, delimitations such as macro region, mesoregion, micro region, primary region, sub region, or region I or II are sometimes used to highlight the varying surface area of different regions [Kosiedowski 2005, p. Solorz 2011, p. 21-22].

In Poland, research on regions began late, and the first one to undertake a full and comprehensive examination of this subject was W. Nałkowski (1856-1911). The subject matter was further explored by, among others, J. Smoleński (1881-1940) and S. Łencewicz (1889-1944) [Berezowski, 1988, pp. 16–18]. Types of landscape were the main criterion for the suggested regional divisions at that time. A little later, in the numerous academic discourses on economic regions in 1927 and 1928, S.Z. Rutkowski and W. Wakar contributed to the discourse [Berezowski 1988, pp. 42–44]. And thus for some scholars a region was "a defined fragment of the surface of the Earth, defined within the environment by means of a certain procedure on the basis of the assumed criteria" [Kosiedowski, 2005, p. 11]. Others, including R. Domański, pointed out that regions may be defined in three different ways: "... according to one criterion (e.g. a region defined on the basis of population density), according to a number of criteria (e.g. region based on the value of industrial production and urban population), and finally, according to the content of a structure defined by the interdependent fields of human activity in the area under consideration" [Domański 2002, pp. 109–110; Gorzelak, Tucholska 2010, p. 25].

An interesting terminological reference has been proposed by Potoczek (2003, p. 11) who points out that the procedures and criteria for defining a region, due to the inevitable subjectivism in their formulation, will never be fully objective and can always raise a number of objections. Perception of what a region is will be different for a geographer, geologist, ethnographer, political scientist, sociologist, or economist. A similar view was expressed in 1927 by A. Hettner, considered to be a classic representative of the natural region concept [Strojny 2010, p. 7]. He suggested that nature-defined regions do not exist, because such categorisations always results from human determinants and economic activity, and not geographic determinants.

In the literature of the subject, region is most often defined as a "conventionally defined area, relatively homogeneous, distinct from neighbouring areas in natural or historically acquired features" [Matuszczak 2013, p. 18]. On the other hand, the basic characteristics defining regions include: geographical location and conditions, linguistic, religious and ethnic identities of the community that inhabits it.

According to K. Secomski [Secomski 1982, p. 27], the concept of a region mainly concerns the economic aspects, and a region is an area of a country manifesting a set of common socio-economic, physical and other features that have a centre radiating its influence throughout the whole region. This set of common features, mainly socio-economic, is the starting point for determining regional boundaries. Similarly, the economic aspect is highlighted by A. Klasik [Klasik 1971, p. 14], according to whom regions are a historically shaped whole units of geographical and socio-economic space, based on their own spatial economy.

From the point of view of economic science regions that are distinguished on the basis of economic criteria are of the most significance [Chądzyński, Nowakowska, Przygodzki 2007, p. 41]. This means that "an economic region is
an area of particular economic specialisation resulting from the utilisation of endo- and exogenous development factors” [Strzelecki 2008, p. 79]. It is also worth mentioning that, for example, A. Fajferek perceives economic regions as territorial production-service complexes, distinguished from their surrounding areas by specific forms of development. These are parts of a larger territory, having a specific manufacturing and service specialisation within a country, have at least one urban centre, and are spatially compact area. [Fajferek 1966, p. 9]

B. Jałowiecki follows a similar line of reasoning, suggesting that, in most cases, an area defined as a region is an artificial construct “created by specialists to organise and classify reality.” The multi-level grid of European regions, used for statistical and planning purposes by the European Commission in Brussels is an example of such a construct. [Jałowiecki 1966, p. 41; Wojtaszczyk, Miedzińska, Mazurek 2013, p. 34f.]

Contemporary theoretical considerations taking into account Polish and EU legislation emphasize the importance of regions in the administrative sense. It is the administrative authorities of individual regions that manage regional policy instruments and are responsible for regional development. [Act of 24.01.2014; Gorzelak, Kozak 2012, p. 117f.] The greater the regions' autonomy in formulating their own policy the more important their role in determining the global directions of activity [Gorzelak, 1989, p. 16; Przybyszewski, Atamańczuk 2011, p. 129f.].

2. Measures of economic development

Based on synthetic sources and literature studies and practical activities, it can be seen that the effects of regional development are primarily identified, with an increase in the relative importance of the region within the country system. This also applies to the efficiency of the economy, the improvement of the standard of living of the inhabitants, the broader process of eliminating intra- and interregional differences. Continuing improvement of regions' innovativeness and competitiveness is also important. [Strahl 2006, p. 26; Michalewska-Pawlak 2010, p. 120 and n.]

These general groups of regional development identifiers require a detailed elaboration in relation to respective voivodships and the correct selection of research methods and tools. There are no universally accepted universal solutions in this respect [Obreblański 2002, p. 13; Szymański 2014]. The proper selection of measures should take into account substantive, spatial and temporal aspects of an assessment, and above all its purpose. Attempts to utilise a quantitative when approaching this phenomenon are particularly difficult. In the literature on the subject one can encounter several types of measures for the level of regional development. Different researchers propose different solutions, ranging from using as a few to several dozens of indicators. For example, Prandecka distinguishes around 60 basic measures of regional development. [Prandecka 1969, p. 51]. Opałło, on the other hand [Opałło 1972, p. 120, draws attention to two types of measures, i.e.:

- basic, measuring the absolute values of various economic and social variables and processes (e.g. population, employed in manufacturing numbers, etc.)
- and relative, expressing the relation of defined values to other selected economic values (e.g. the share of urban population in the total population, the number of people employed in manufacturing per 1000 population, etc.). [Opałło 1972, p. 120].

Defining the determinants of economic development is one of the most
important challenges facing modern economics. It is reflected in the rich ongoing discussion of methods and paths leading to optimal economic development. It is worth noting that for years the basis of the discussion on this topic was a concept based on the solutions stemming from Harrod-Domar's growth model. [Harrod 1948; Domar 1957; Or Winiarski 2000, p. 449] or its development in the form of the neo-classical Solow-Swan growth model. [Solow 1956; Swan 1956]. The characteristic feature of these solutions was approaching development from a linear perspective, associated with the appropriate quantitative programming of changes in basic economic policy instruments. However, the process of qualitative changes and their impact on the economy, i.e. a sociologically, institutionally and historically complex system, has been largely forgotten. [Chrzanowski 2015, p. 20].

Another breakdown of economic development factors is related to their character. This classification distinguishes between synthetic measures (for different macroeconomic aggregates, e.g. national income, the net manufacturing output in regional systems) and detailed measures (including specific indicators for various economic and social phenomena). [Pająk 2011, p. 185].

Obrebiński proposes an interesting division of the determinants (metrics) of regional development into five basic groups from the point of view of their quantification:

- measurable in physical units (population, number of employed persons, number of unemployed persons, number of economic entities, etc.),
- expressible in financial terms (remuneration, value of fixed assets, value of investments, etc.),
- measurable in technical but without attributable monetary value (distance from the national border, noise intensity, level of pollution of water and air, etc.)
- unmeasurable but identifiable enough to clearly and objectively distinguish better and worse situations (e.g. from the point of view of the health of the population);
- unmeasurable and identifiable only on the basis of subjective feelings (e.g. aesthetic and landscape values). [Obrebiński 2002, p. 13-14].

In order to measure the significance of individual regions in the social, economic and spatial system of the country, empirical research uses tools of multi-domain region-regions-country comparative analysis. [Chrzanowski 2015, p. 21f.] The most universal and commonly accepted regional development identifier in this group is the per capita GDP. The gross domestic product reflects the final results of the activities of all economic entities in the region. Thus its value expresses both the importance of the region in the country, and the quality of the broadly understood regional economic environment. Of course, it is possible to adopt other measures to capture the importance of a region in a national system, such as the region's demographic potential, economic potential, and the importance of the services sector. In this case, the importance of the region can be defined for the chosen area of economy, specific industry, or selected regional development [Strahl 2006, p. 28, Słaby 2005, p. 36f.] indicator. These values are complemented by the valuable suggestions of Freeman (1987), Lundvall (2010), Pike et al. (2007).

The notion of economic development is not unequivocal in its definition. It is worth noting that economic growth is the process of creating and expanding the actual size of the social product. This means increasing the production of
goods and services produced, in a given country, in a given period of time, and it is synonymous with economic growth [Nazarczuk, Marks-Bielska 2013, p. 40]. Development in its territorial aspect is a broader concept than the notion of growth, which is understood as a strictly quantitative change. Thus development encompasses both quantitative and qualitative changes [Ziółkowski 2005, pp. 88–89; Nazarczuk 2013, p. 15f.]. This process, in addition to structural transformations, includes the accompanying changes in institutions and economic relations. They can be considered from either a process-based or teleological perspective [Klamut 2006, p. 196]. Process-based approach involves examining development as a set of dynamic processes that determine the character and the pace of change [Noworól 2007, p. 13]. A teleological approach means a sequence of changes aimed at achieving a particular, defined state. It most often manifest as improving the conditions and quality of life. It should be noted here, however, that some of these elements are non-measurable. Hull aptly summarises this issue [Hull 2007, p.52: "... what constitutes the content of development and defines its nature and forms is defined in different ways: some see it as the increase in the amount of material goods and services, increases in consumption, increased convenience of everyday life, growing freedom in the sphere of social life, while others emphasize the development of a new quality of life, the development of new forms and structures of social life, new forms of coexistence and relating in nature ...". For these reasons, the concepts of growth and development are often differentiated in the subject literature when discussing programming regional policy, economic growth and socio-economic development. These considerations should include the development of the concept of innovation systems [Lundvall 2010, Nelson, 1993]. Complemented by local and regional growth models, they emphasize the importance of the institutional context in mainstream development economics, allowing for the analysis of development as a multidimensional phenomenon [Pike et al. 2006, pp. 194-240].

The proponents of the separation of these two concepts include Blakely and Leigh [Blakely , Leigh 2010, p. 74] who write: "It is a great mistake to equate economic growth with economic development. The blind pursuit of economic growth can undermine the foundations for economic development." It can contribute to a widening of the already growing territorial inequalities, become one of the most important problems of the economy, and influence the shape of modern regional development policy [Krugman 2010, p. 11-12].

On the other hand, one often encounters the approach – today mainly in English literature - according to which the concepts of growth and development are used interchangeably in the description of economic processes to mean an increase in the basic macroeconomic indicators [Borys 1999; Milewska-Pawlak 2015, p. 90f.].

Various attempts are made to quantify the level of development of the various regions. In such attempts, linear sorting methods are of great use. Their task is to determine the order of objects (e.g. regions, districts, towns, municipalities) or object sets according to a certain measurement criterion. The basic tool used for linear sorting is a synthetic measure of the achieved level of development, which is a function that aggregates the partial data included in individual attributes (measures) comprising the assessment. The combination of partial (domain-specific) indicators of regional development allows for an overall (global) evaluation.

Such an attempt to assess the level of regional development is linked to
the need for adequate statistical data. Public statistics services (GUS - Central Statistical Office, and other statistical offices), which systematically gather, process and publish statistical data facilitate and make possible - to varying degrees (depending on the domain) - the assessment of regional development [Strahl 2006, pp. 27–28; Wojtyna 2016, p. 9-25].

3. Contemporary development of regional policy in Poland

Poland's regional policy in the 1990's was defined by the activities of the government in individual voivodships, and had an interregional character. A centralised model dominated and the main actor responsible for the programming and implementation of this policy was the Minister for Infrastructure and Development. There was no partner on the other side, e.g. regional authorities authorised to make decisions within the voivodship. There was also a great deal of aversion to running active regional policy, which allegedly distorted competition in the market economy. Only a territorial review by the OECD in 1992 documented the complexity of the problems of regional development in Poland, and the difficulties and constraints affecting the implementation of active state policy in this domain. The formation of self-governed voivodships influenced the formulation of regional policy goals, principles and instruments. The concept of multi-level governance was to determine to what extent that regional policy model could be considered to be decentralized. It is worth mentioning that the model of interregional policy took into account the self-government activity of the voivodship in the process of shaping and utilizing endogenous potential specific to the region. [Spider 2011, p. 74f. ; Szlachta 2014, p. 65f.]

Economics scholars correctly stated that the first form of new regional policy in Poland was the state's intervention in areas threatened with high structural unemployment. Other developments were related to pre-accession measures Poland was undertaking, which were geared towards supporting regional development and building capacity for cohesion policies such as STRUDECR, RAPID, or CROSSBORDER. An understanding of these processes is apparent in the suggestions made by task force for regional development in Poland concerning directions of development. [Wojarska 2013, p. 15f.]

However, significant changes occurred after the Act of 24 July 1998 came into force. It initiated the construction of a model of the state's three-tiered territorial organization, complementary to its decentralisation and the establishment of powiats (townships and country districts) and voivodships. The Polish regions began to generally correspond to the NUTS level 2 of the European cohesion policy. The public administration system was born in which beside the representatives of the national government in the area - the staroste - elected local government bodies began to function. They were responsible for the financial policy of local government units and their budgets and took over many competences from the central level. As part of the decentralisation of state functions – public finance – the process of regional development management began to be constructed.

Further changes in regional policy were introduced by subsequent legislation. Significant legislative acts in this regard include: the Act of 12 May 2000 on the principles of supporting regional development; the Act of 12 December 2006 on development policy principles; the Act of 8 November 2008 on the amendment of certain acts in connection with the implementation of the Structural Funds and the Cohesion Fund, the National Strategy for Regional Development 2010-2020 of 13 July 2010, or the Act of January 24 2014 on
managing development policy. They introduced a modern understanding of development policy support, symbolically founded on regional competitiveness, territorial cohesion and countering marginalisation of problem areas. They also created the conditions for effective, efficient and partnership-based implementation of regionally-directed development measures.

The beginnings of the 21st century have brought further investigations of many theoretical aspects of regional policy. Interests were focused on, among other things, the structure of regional economies, the level of entrepreneurship and productivity, the capacity to create innovative regions, modern human and social capital, accessibility of business finance (bankability), environmental quality and technical infrastructure. The evolving process of globalization was supposed to determine how open the economy was, and its ability to cooperate in building corporate relationships by entities from a given region. It seems reasonable for contemporary regional policy, to consider, in addition to these endogenous factors, the exogenous factors: capital inflows, technological progress, globalization, the availability of EU funds, economic crises, increasing European integration, regulation at national and EU level (e.g. environmental protection, CO2 reduction and low-carbon economy, energy and location security, etc.). The model of regional policy applied at the time - aimed at increasing territorial cohesion - began to be replaced with another, the polarization-diffusion model in which the stimuli are directed at problem areas and those requiring strategic intervention [KSRR 2010, p. 85f.]. It was recognized that regional development was determined by economic (internal, external and technical-technological), socio-cultural and political, ecological, and spatial factors. To support the growth processes and increase society's wealth the key elements of regional development should include: resources (availability, allocation and productivity), and institutional factors - the categories that create developed, diverse and flexible regional economic structures. They include: human and social capital, knowledge and innovation, constant and financial capital, material (physical) resources of the region [NSRR 2010, p. 35].

The value of such modern programming of development policy is confirmed by the fact that in many developed European (and not only) countries, it has been implemented through top-down hierarchical solutions developed at the national level. It was assumed that its redistributive nature would generate incentives for relocation of lower-level businesses, and that the foundations of development would include subsidies, grants, and tax relief. It had a clear sectoral focus. The instruments those policies utilised were intended for use in the industries that are the most susceptible to stimuli that encourage relocation. It is therefore significant that the development of regional policy in the 21st century was influenced by two groups of factors that played an important role both in practice and in theory [Chrzanowski 2015, p. 38].

From the practical perspective, regional policy was shaped by the global economic crisis Europe and the world have been suffering from since 2008. This has led to a universal search for a new paradigm in economic science and in regional development. The assumptions of the Washington Consensus stating that development policy required little except deregulation and well-defined property rights became less important. [McCann 2013, p. 345]. It follows from the above that the traditional understanding of regional policy did not stand the test of time, and the examples from different levels of planning and implementation, i.e.: community, national, sub-national (regional, metropolitan) suggest that it could have entered a certain crisis [OECD Report of 31.03.2009].
From a theoretical perspective, based on many publications of well-known economists and research centres, the role of, and the justification for regional policy has been redefined. Utilising the achievements of development economics, efforts were made to create universal recommendations for regional policy at the beginning of the 21st century. And thus one of the results of that broad scholarly discourse was Barca's typology presented at the OECD forum.

Foundation principles of the new development policy included:
- an excellent institutional approach assuming that growth requires appropriate institutions of a universal nature (common good, good law, education), and that new public management should ensure these conditions and the distribution of public goods within the country/region;
- development as a result of concentration, where the agglomeration benefits should be the main driving force of development. Public administration removing barriers to concentration and ensuring unrestricted access to these areas;
- socially sensitive development taking into account social responsibility for the process (e.g. ISO 26000);
- a local approach which means that, in the period of growth/development, its social and economic dimensions must be taken into account. This is related to ensuring genuine subjectivity of local and regional governments;
- a place-oriented approach which means that both economic and social development can occur in almost every place by skilfully combining place-adapted institutions and public investment (local, regional, national, EU) [Chrzanowski 2015, p. 29].

This is supported by Szlachta and Żuber who stated that convergence or equalisation of opportunities was not paramount in the new models for regional development. More important were: an integrated approach of functional links, combining hard and soft measures, adding up regional potentials (financial, social, and human capital, innovation, etc.), and utilising their endogenous value in multi-stage development management [Szlachta 2014, p. 65f.; Żuber 2013]. This means that a new approach to regional development policy should result from the activities of all stakeholders and relate to: the development of ICT infrastructure and the integration of telecommunications networks and services, the development of regional growth centres and functional connections with the largest cities in the region, stimulating urban development in the outlaying and less developed city areas, diversification of traditional directions of economic development, the implementation of innovative and novel solutions, and creating networks of public partners [KSRR 2010, p. 22].

For the economist, the most important thing is the analysis of regional development in terms of changes in the economy - an economic process consisting in the transformation of regional and local factors and resources (endo- and exogenous) into goods and services. The most important feature of development understood in this way is the economic growth of the region, i.e. the increase in the production of goods and services not only through quantitative increases in the utilised means of production but also through improvements in their efficiency. Quantitative changes should therefore be accompanied by qualitative and structural changes in production [Potoczek 2003, p. 15; Pająk 2016, p. 167]. The same factors (1993, p. 29) are emphasised by Nelson who defines regional development as: "changes in regional productivity measured by population size, employment, income and value added production."
Regional development also includes social development, understood in terms of health care, wealth, environmental quality, or creativity." The new model of regional policy in the current decade of the 21st century assumes that development opportunities exist in all types of regions, where development determinants are located in different territorial systems. Its purpose is to maximise growth at the national level by supporting and encouraging each voivodship to emphasise, strengthen and utilise its endogenous growth potential using internal or external resources. This means that the concept of development perceived in the spatial dimension should aim to affect the intangible environment, i.e. to stimulate relations between entities and institutions operating within regions and to create network links in voivodships, based on the specificity of the regional government community and the institutional environment.

The most important addressee of regional development policy are the residents - the population - of the region in question. It is their standard of living that is the ultimate focus of all the efforts made in regional development. Therefore, one of the most important aspects of regional development is social development, i.e. changes in the style, level and quality of life of the population[Strzelecki 2008, p. 79]. It results from the economic growth, that is from the quantitative increases and qualitative improvements of goods and services produced. These are complemented by the process of social change, which encompasses many phenomena occurring in social relationships and in the social structure of the region. However, even if the scope of development was strictly limited to social and economic issues, it would remain a complex concept, as the processes involved, such as for example those concerning public needs, are extremely complex. This is because each area functions and develops as an integral part of a larger whole (national economy) and uses goods and services produced in other countries. It provides to others the products and services produced within its own territory - in the so-called spaces of work [Bartosik 2011, p. 229-250].

The labour market, in terms of employment and the quality of jobs offered, is one of the most important determinants of the standard of living of local and regional communities. This is reflected in the various definitions of development. And so Blakely [Dziemianowicz 1997, pp. 29–30] defines economic development as: "a process in which local authorities or (and) neighbourhood organisations engage in the stimulation or at least maintenance of economic activity or (and) employment. The main purpose of this activity is shaping local opportunities to maintain and create employment in areas beneficial to the local labour market of the local community. Local economic development processes utilise local natural, human and institutional resources." This definition, on the one hand, emphasises the role local and regional governments play in the process of regional development by stimulating changes that are beneficial for the region’s community, and, on the other hand, demonstrates how important the development of the labour market is today [Kwiatkowski (et al.) 2014, p. 32f.].

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