

# REGIONS OF HOPE AND GLORY?

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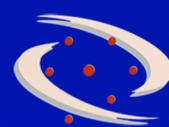
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## 1. Prologue

The first *Global Regional Development* conference in the history of regional science took place in Shenzhen (China) on December 3-5, 2021. It was a hybrid venue organised by the Talent Institute (Shenzhen), the School of Public Policy and Management of Tsinghua University (Beijing), and **The Regional Science Academy**. Several regional scientists from all over the world were invited as speakers at this important gathering, with Paul Romer, Nobel laureate, as keynote speaker. Despite corona restrictions, the conference was an overwhelming success, with hundreds of (online or personally present) participants.

The aims of the conference were:

- to organise a global forum of recognised regional development experts (including the World Bank) for an ideation on new development ideas.
- to address emerging challenges on sustainable regional growth, in the wake of economic recessions, global pandemics and (man-made or natural) disasters.
- to examine shared policy strategies for mitigating emerging welfare gaps in and between regions in various continents.
- to explore the potential of modern digital technology in shaping equal competitive conditions and opportunities for all countries and regions.
- to identify new promising options for viable green regional development in the context of climate change and sustainable energy transition.
- to stimulate an intelligent transformation of regions geared towards well-being and liveability for all people, driven by smart leadership.



- to explore novel ways for digitally advanced data-analytics for regional sustainable development.
- to articulate institutional responses and policy resilience strategies in order to achieve ‘welfare4all regions’, also in the context of national policy competences.

The present note provides a selection of ‘take-home’ messages and lessons from this great conference.

## 2. Three Key Questions

At the outset of the conference three key questions were formulated as a shared frame of reference for all participants. These are:

- The regions in our world do not exhibit a stable pattern, but are subjected to a state of uncertainty and fluctuation, caused e.g. by global economic recession, natural and man-made catastrophes, or infectious diseases. Do regions have sufficient resilience capacities to cope with these challenges? And can these be strengthened?
- Regions all over the world have a portfolio of indigenous resources, such as: territorial capital, culture, natural resources, entrepreneurial spirit, open atmosphere, access to and use of digital technology, quality of life, etc. Which are the critical success factors from a regional perspective that determine effective competitiveness, social inclusion and sustainable development?
- Governance of regional development in uncertain times calls for new forms of leadership based on intelligent policy responses and supported by actor-based development initiatives. Are traditional government support systems (e.g., financial and incentive systems, regulatory systems) sufficient to pave the road towards stable sustainable and inclusive development in the years to come? Are new modes of cooperation between regions promising for safeguarding a balanced and climate-neutral development of our planet?

Paul Romer took the lead in answering these questions by addressing the size and the role of a focussed and effective government in emerging smart cities. He paid particular attention to the coordination of different elements of collective benefits, against the background of global challenges (economic recovery, pandemics, digital advances). He stressed in particular the importance and urgency of unlocking the full potential of public governance capacity in promoting sustainable development at urban and regional scale. He mentioned Shenzhen as one of the pioneering miracles in shaping a new urban world. The conference demonstrated Shenzhen’s ability and commitment to mobilise high-end talent and knowledge for building a leading global demonstration zone for advanced sustainable growth. Some lessons gathered during this fascinating meeting will be presented below.



### 3. The Wealth of Regions

Regional development is the outcome of dedicated, often self-organising territorial forces that are geared towards an improvement of the relative socioeconomic profile of a region<sup>1</sup>. A successful performance of a region in terms of wealth, progress and shared development is largely determined by the effective use of its territorial resources, sometimes also called territorial capital. The constituents of territorial capital are:

- *productive* capital (material and financial)
- *human* capital (skills, education, motivation)
- *technological* capital
- *environmental* capital (quality of life, 'green capital')
- *institutional* capital (good government, transparent regulatory systems)
- *X-factor* capital (creative leadership, charismatic management)

The latter type of capital is perhaps the most intangible and most under-investigated resource in any regional development equation, but accounts to a large extent for the 'unexplained rest factor' in any regional economic growth analysis. An X-factor is not an unambiguously defined and measurable growth engine, as its economic added value depends on personal characteristics (e.g., open mindedness, innovativeness, adaptive ability) of leading personalities (or bodies) that have to be appreciated and accepted by all people and stakeholders involved. Education and selection of qualified people for leading positions in both private and public domains is one of the greatest challenges in any society nowadays.

Another problematic element from the above list of productivity-enhancing and development-conditioning territorial resources is institutional capital. Institutions refer to the governmental and decision-making constellations in an economy, ranging from free market mechanisms via concerted economies to (semi-)dictatorial systems. Clearly, any smart policy in a society needs 'rules of the game', but with almost 200 countries on our planet we have a great variety of different decision-making mechanisms in nations and regions. From a regional (and national) economic development perspective, the main question will always be: which framework of institutional bodies and decision-making agencies favours sustainable and inclusive economic growth and productivity so as to achieve 'well-being4all'? A 'Quadruple Helix' constellation may be a desired institutional model.

<sup>1</sup> 'Relative means here: in comparison to past performance (time dimension) or to performance of peers (other regions).



The great variety of economic outcomes of countries or regions all over the world suggests that both X-factor capital and institutional capital matter and deserve more prominent attention in growth research and policy practice.

#### 4. The Unequal Playing Field of Prosperity

The world is not flat (even not in the digital age) and by no means equal. Regions – defined in terms of either physical-geographic conditions or socioeconomic profiles or administrative/planning criteria – show an enormous diversity in economic achievements, even within the same country (witness the Mezzogiorno in Italy or the Appalachian Mountains in the US). A significant body of the regional development literature has been devoted to either the identification of bottleneck factors that hamper an improvement of a region's competitive position or the exploration of smart or productivity-enhancing strategies and actions that would stimulate a region on a desired trajectory towards more interregional convergence. Clearly, an unequal access to and use of the above mentioned types of territorial capital are – apart from climatological and geographical locational determinants – responsible for unequal socioeconomic outcomes. The main problem however, is that these types of production factors are not linearly related to regional performance results, while they are not mutually independent. Regional leadership may compensate for weak infrastructure, as is witnessed by many historical examples (e.g. Lille, Pittsburgh).

There is indeed scope for extensive evidence-based research on the success conditions for regions that have a low position on the welfare ladder. In general, it seems likely that regions which invest in a balanced way in all relevant territorial capital factors have the highest chance to grow relatively faster. Notwithstanding this strategic lesson, the deplorable fact is that fast growing regions expand the welfare gap with less privileged regions, so that at the end the problem of 'left behind' regions becomes more pressing. A broad package of welfare-enhancing measures seems to be needed then. Failure to do so may lead to hysteresis responses and unpredictable outcomes in periods of elections. It goes without saying that a balanced regional development – based on an efficiency-enhancing competition strategy, a citizen-oriented inclusiveness social economy, and a sustainable climate-neutral orientation – has the greatest chance to be realised, if all territorial resources are explicitly exploited to improve the region's future.

#### 5. Ways Forward

The first Global Regional Development conference has generated a wealth of original ideas and new visions on balanced and sustainable regional growth. Despite the complexity of the modern space-economy and despite the vulnerability of regions and cities in the wake of major (inter)national disruptions (natural calamities, pandemics, recessions, trade wars, political conflicts, climate

disasters), a balanced regional and urban development is not only necessary, but also feasible, if all available means (ranging from a wise use of resources to good will) are implemented. A *sine qua non* would be sharing of international capabilities and stimulating joint capacity building for achieving an effective, sustainable and inclusive development of regions on our planet.

**Acknowledgements**

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