

Recensioni – Book Review

edited by Ugo Fratesi

Handbook of Regional Growth and Development Theories. Capello R., Nijkamp P., (eds.) (2009). Cheltenham: Edward Elgar. 530 pages. ISBN 978-1-84720-506-3

Regional growth and the influence of space have definitely come in from the cold and are now seen as an important aspect of mainstream economics. It is becoming increasingly recognized that the standard assumption of constant returns to scale that still prevails in many economic models is implausible. It is now widely accepted that production and economic growth take place under conditions of increasing returns to scale, broadly defined to include agglomeration economies as well as internal economies of scale. How else are we to explain the existence of cities and the absence of “backyard capitalism”, to coin a phrase used by Krugman? But it should be remembered that increasing returns to scale have, of course, long been emphasized by regional scientists and regional economists.

This heightened perception amongst mainstream economists has to some extent been technique led. The development of equilibrium models that can incorporate increasing returns, largely through the Dixit-Stiglitz formalisation

of Chamberlin-Robinson monopolistic/imperfect competition model, finally resulted in a serious consideration of the role of increasing returns in trade theory. This then almost inevitably led, especially through the writings, inter alios, of Paul Krugman, to the new economic geography. This approach, at the risk of oversimplification, is based on the trade-off between increasing returns to scale and transport costs. At the same time, the development of endogenous growth theory gave further impetus to the rediscovery of the importance of increasing returns to scale. Ironically, the importance of these had been emphasized as long ago as 1776 in Adam Smith’s *Wealth of Nations*. He also had the important insight that the “division of labour is limited by the extent of the market”, which if the latter is interpreted as the spatial extent of the market is a central tenet of regional economics.

There is a danger of attributing all the major developments in regional growth theory to the new economic geography and endogenous growth theory, which this volume quickly dispels. The editors have brought together an excellent compendium of 25 essays, written by leading scholars in their fields, which summarises the current state of the art

of many aspects of regional growth and development. The essays show the wide variety of theoretical and applied approaches now being used to explain regional growth and development.

The volume begins with the editors' introduction which provides a thought provoking and critical assessment of the recent and likely future developments in the subject.

This is certainly the article that should be read first, before the reader embarks on the individual chapters. Considerations of space make it difficult in this review to do justice to the full range and scope of the various entries and, consequently, a detailed discussion will not be undertaken here. Nevertheless, they are all of an exceptional quality, as one would expect from leading authorities in the area. Each chapter gives a succinct and detailed account of a topic. The chapters can be viewed either as excellent summaries for the specialist or introductions to the research frontier for the non-specialist economist or post-graduate student. The extensive references to the literature will enable them pursue each topic in greater depth. The editors have helpfully classified the chapters into five themes, or parts, which gives a logical and coherent structure to the Handbook.

Part I concerns Growth Theories and Space. This section is essentially concerned with the various theoretical approaches to growth and how space can be incorporated into them. It begins with a chapter that provides a succinct overview of how the theories of agglomeration and economic growth have developed over time. This encompasses the various dimensions of agglomeration economies of scale, the

development of the neoclassical theories of the new economic geography and the new (or endogenous) growth theory. These are contrasted with the evolutionary approach to growth and the chapter concludes that there may be a commonality between the various theories in terms of agglomeration economies, connectivity and spatial spillovers. This is followed by an innovative chapter that looks at the various ways space can be conceptualised and incorporated in growth models; not an easy task. The third chapter starts with the standard Solow growth model and explores its shortcomings. The result was that this developed into endogenous growth models and influenced the new economic geography, reflecting the increasing awareness of the importance of externalities and picks up a theme emphasized in the first chapter. The work of Brian Arthur in terms of non-linear stochastic processes (which promised so much in the 1990s but has not yet taken off) is briefly discussed. The chapter ends with the John Hicks' cautionary view of the damage that externalities can do to the whole notion of perfect competition, but one that, as Lösch showed long ago, has to be renounced once we seriously consider the influence of space. The next chapter is a straightforward exposition of six notable neoclassical papers on theoretical regional growth and trade that have their origins in the new growth theory and new trade models. The final chapter develops a representative agent model that examines the impact of infrastructure of economic growth and regional imbalances. It integrates the insights of the new economic geography and

endogenous growth theory and the assumption of free capital mobility.

Part II is entitled *Development Theories: Regional Production Factors* and moves from theoretical to applied considerations of regional growth. The various chapters analyse the way agglomeration economies can be measured and modelled, including the use of the neoclassical production function and, interestingly, the role of “territorial capital”. The latter goes beyond the more traditional concepts of human and social capital and encompasses territorial assets which are important, but are difficult formally to model within, say, the new economic geography. There are further chapters that analyse the complex relationships between regional development and respectively the broad concepts of human capital; infrastructure; and entrepreneurship.

Technical change or “new ideas” has long been seen as the driving force of economic growth and with the development of the information economy has arguably become increasingly important over time. These factors are considered in the chapters in Part III, *Development Theories: Innovation, Knowledge and Space*. The first chapter in this section considers how the spatial diffusion of ideas and spillovers has affected the organization of economic activity. Another chapter considers the formal modelling of R&D spillovers within a neoclassical production function and the methods that have been used to test for the importance of this effect. This is followed by a chapter that pursues the question of why knowledge is “spatially sticky”. The next chapter again considers agglomeration externalities (the well-known triumvirate of Marshall-

Arrow-Romer, Porter and Jacobs externalities) and the Glaeser approach to estimating the gains from agglomeration economies. The chapter also includes an informative meta-analysis of previous studies. This part concludes with a chapter which changes focus. It considers regional science research into the environment which is “definitely here to stay”, and the authors indicate a number of new and important research questions.

Part IV, *Regional Growth and Development Measurement Methods* contains three chapters that concentrate on the various ways and the types of indices that can be calculated to measure various phenomena of the space economy. These include agglomeration economies, regional inequality, and there is a discussion of a measure of regional endogenous change that can be calculated from regional employment data (with the example of Queensland, Australia). There is next a chapter that shows the importance of allowing for spatial heterogeneity (as well as spatial autocorrelation) and the need for using spatial econometrics methods in the statistical analysis of spatial data (which is now almost obligatory). The last two chapters concisely cover the techniques of computable general equilibrium models and recent developments in input-output techniques as applied to the analysis of the regional economy.

In the last Part, *Regional Growth and Development Policies*, there is a change in emphasis. It begins with a more qualitative assessment of the role of institutions and regional development followed by a chapter discussing the rationale for, and foundations of, regional policy. The latter includes a brief survey of

eight theories of regional development and a discussion of regional policy instruments. The next chapter is on regional policies in a developing country, namely, India. It would have been useful to have had a comparable chapter for the advanced countries and perhaps a discussion on the European regional policies and the effectiveness of the Structural and Cohesion Funds. The last chapter concentrates on the role of “free economic zones” (specially designated areas that have some relief from taxation or import or export duties).

Inevitably, even with a volume this length, several topics are not included in the chapters. Most notably absent, although mentioned in the introduction, is the post-Keynesian approach to regional growth, with its emphasis on demand and the structure of production captured (at the moment imperfectly through the income elasticities of demand for regional exports and imports). This approach stems from the work of Myrdal and Kaldor and the cumulative causation models as formalized many years ago by Dixon and Thirlwall in the 1975 volume of Oxford Economic Papers and subsequently extended by others. This has its empirical counterpart in the Verdoorn law, now estimated within a spatial econometrics framework which provides evidence of substantial economies of scale and productivity spillovers at the regional level. The evolutionary approach together with the emphasis on path dependence is not covered in detail, neither is the work of the economic geographers, (many who are hostile to the new economic geography) and their alternative approaches. On the policy side, there is also no

discussion of Porter’s theory of clusters which seems to have dominated policy making (perhaps to too great an extent) in many of the developed and developing countries. These should not be seen as a criticism of the Handbook, per se, which is over 500 pages long and the editors have to draw the line somewhere. Where to do so is a difficult decision and the editors’ choice of topics gives the Handbook coherence, but perhaps it points to a case for a second volume?

To summarise, this handbook is essential reading for anyone with an interest in the explanation of economic growth in the space economy. But as the determinants of national growth rates are inherently bound up with regional economic performance, it is also important for analysing the former. The editors and the individual contributors are to be congratulated on producing such an important collection of review essays which is destined to become one of the definitive reference books on the subject.

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Incentives, Regulations and Plans. The Role of States and Nation-States in Smart Growth Planning. Knapp G.J., Haccou H.A., Clifton K.J., Frece J.W. (eds.) (2007). Cheltenham: Edward Elgar. 320 pages. ISBN 978-1-84542-644-6.

This original book marks the advent in Europe of *smart growth planning*, an approach to urban policy developed in the United States. The book explores what this metaphor means in concrete as a way to promote innovation in

planning practices. *Smart growth planning* is a term that identifies a movement and a planning approach which originated in North America and was established to address the problem of urban sprawl. It has recently begun to circulate in Europe. In fact, this new planning philosophy seems to have oriented the principles, contents, and roles of revamped public regional policies in various European and North American countries in the 2000s. Published in 2007, the book is a collection of papers presented at an international symposium held at Annapolis, Maryland, from 29 September to 1 October 2004 and organized by the Habiforum Foundation of the Netherlands and the National Center for Smart Growth Research and Education,

The idea of the editors (as well as of the authors of the papers presented at the symposium and collected in this book) is to broaden their outlook to encompass both sides of the Atlantic as they compare the approaches to smart growth planning in North America and Europe. This effort has been made partially to overcome the increasing “insularity” and introspection of American planning. Thus American cases are compared and contrasted with cases of smart growth planning under way in Europe. For this reason, the book has a twofold interest. On the one hand, it conducts a systematic review of case studies to explore the theoretical and methodological contents of the smart growth planning model; a topic still little studied in Europe, and especially in Italy. On the other hand, the book presents a comparative analysis of *best practices* on both sides of the Atlantic, highlighting similarities and differences

in order to clarify the specific features, outcomes, and effectiveness of the new approach to planning.

Specifically, there are three central topics that guided the research topics around which the papers appearing in the book have been discussed and published.

The first topic is the analysis of the approaches taken and the results achieved by smart growth planning policies. To this end, the papers identify the “unvarying” aims of this particular approach. In the planning contexts considered on both sides of the Atlantic, the new urban policies strive to achieve a model of sustainable development through the urban policies of densification, mixed use, and transit-oriented use. The model of spatial organization is that of the compact city. This evidences that several of the regional plans of the latest generation have assumed the same theoretical background of references as the North-American plans as a means to orient their new strategies for urban use and renewal. This is occurring even though the policies are labeled in different ways: *Urban Renaissance*, in the United Kingdom, *Multiple-Intensive Land Use* in Belgium and the Netherlands, and *Schéma de cohérence territoriale* in France. What clearly emerges is that *smart growth planning* is an *American urban planning theory* based on a set of principles designed to promote local communities’ visions and to improve the quality of life, environmental revitalization, and economic development.

The second topic is the role of states and nation-states within the framework of a federated system of government. In particular, the papers illustrate the

crucial role played by the local levels of government – and related planning instruments and new forms of governance – in promoting strategies for the regulation and control of land use within the aims of smart growth planning.

The third topic is identification of the types of incentives, regulations and plans adopted in the planning systems analyzed. What emerges here is that the two overall areas – Europe and North America – have both taken a variety of approaches in their public regional policies during the twentieth century. However, all these approaches can be traced back to their two differing principles of thought. In states on the east coast of the United States were free-market traditions prevailed, which were more oriented to the market and were distinguished by limited forms of public regulation. Instead, in several countries in Europe and states in the United States, traditions prevailed that were open to the involvement of public-private partnership-relations, where the dominance of public control brought the introduction of fiscal incentives and new regulatory procedures for land use, such as tax incentives, transferable development rights and development subsidies.

Within the framework of the three topics just described, the book conducts comparative analysis of the smart growth planning policies being implemented. The comparisons and contrasts among the cases presented are broken down into the six fundamental principles of this new planning approach: (1) urban containment, (2) mixed use, (3) affordable housing, (4) transit-oriented development, (5) public health and urban form, (6) plan implementation.

These topics correspond to the six parts of the book, each of which features two papers, one presenting an American case, the other a European one.

1. Urban Sprawl Containment.

This topic is the common denominator of most of the urban policies analyzed, which are all oriented towards putting the model of the compact city into practice. The cases compared demonstrate how hard it is to implement this theoretical aim, which, in fact, requires a complex process whereby the meaning of this model of spatial organization of urban space is reviewed and updated so that it can be shared. The case of Portland, Oregon, illustrates the importance of processes in which institutional levels of the government cooperate in the decision-making process. These decisions influence the design of the space within urban growth boundaries, as well as the fiscal incentives and the new urban rules and regulations with the aim to implement the projects of increasing urban density into effect. Likewise, several Northern European cases exhibit the same rationale of action: coordination between central policies and local policies in the Netherlands, Germany, Scotland, and Scandinavia, where the aim of containing urban sprawl has become an occasion to initiate policies for the renewal of city centers and environmental improvement in outlying areas.

2. Mixed Land Uses.

The important topic of mixed land uses emerges within this perspective. The Canadian and American cases highlight the importance of government incentive programs of various kinds, such as grants, loans, tax concessions, investments in transportation

infrastructures and policy reforms. All of these programs are addressed to promoting new projects of action able to contribute to the control and achievement of good urban form.

3. Affordable Housing.

Affordable housing is a particularly controversial issue. In effect, achieving affordable housing appears to run counter to the framework of urban development plotted by the preceding objectives. Smart growth policies restrict the land area allocated for new settlement. They consequently increase the density of buildings within urban borders and thus the prices of land, setting off an inevitable rise in housing prices. The aim of affordable housing is, by its nature, not only spatial but also economic. Achieving affordable housing depends primarily on the enactment of integrated territorial strategies – urban, economic, regulatory, and fiscal.

4. Transit-oriented Development.

This is a topic that covers the design of transportation infrastructures guided by the rationale of setting up networks and multi-modal integration – i.e. a multi-modal transportation system. Transit-oriented development is the technical instrument required as the basis for planning efficient models of land use patterns that support walking, cycling, and public transit in the city.

5. Public Health and Urban Form.

This topic implicitly connects health with urban form and has met with broad acceptance among the institutions and stakeholders in the various European countries analyzed, ranging from Russia to Portugal. The principle of public health and urban form is founded on the values of the healthiness, enhancement, and sustainability of the environment

that have become ethical criteria to be used to guide and evaluate decisions relating to the planning and designing of new urban settlements.

6. Smart Growth Implementation.

This topic reveals a paradox: that the planning model described is something that can be potentially shared and sought after on a theoretical level; nevertheless, it appears very difficult to put into practice. The treatment of this paradoxical aspect marks the conclusion of the book. In effect, this is seemingly the starting point for new approaches to planning that can meet the challenge of the radical changes now taking place. These enable the renewal and innovation of types, instruments, and forms of spatial planning in line with the new use demands of the region.

From this theoretical perspective, the book puts forward an interesting cultural proposal. It starts with discussion of one planning model. Yet, in relation to that model, the book accepts a plurality of points of view and a variety of approaches to the practice of spatial planning, all of which are possible and all of which are legitimate. Thus the book follows a line of thought centred on experimentation (or empiricism) as a value that is unique and indispensable. When Gerrit-Jan Knaap and Huibert A. Haccou mention approaches in the introduction, they write, “None is right and none is wrong.” In other words, they want to exclude any kind of technocratic approach from the outset, and to eliminate the risk that the book may be read in a purely deterministic way that would call for the application of the six principles of smart growth planning to real urban conditions in order

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to achieve some kind of “ideally” or “perfectly” sustainable society.

The book is thus a useful reminder to planners that it is important for them be open to experimenting with new cognitive paradigms. They should be able to apply them in the practice of local planning and then take a second look at them in light of critical discussion and from the perspective of the various experiences in North America and Europe presented. As shown very effectively by the case studies in this book,

these efforts by planners all encounter the problem of rebuilding planning in action. This is the type of connection on which all the theories of planning work. All theories should again be focused on a plurality of possible approaches and points of view. This is a resource fundamental to renewing institutions and restoring social effectiveness to the practice of planning.

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