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**THE CONDITIONS OF DEVELOPMENT OF PERIPHERAL AREAS
IN THE CONTEXT OF PRESENT-DAY TRANSFORMATIONS
OF THE INTERNATIONAL ENVIRONMENT**

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Abstract

The author of the article has tried to analyse the influence of transformations taking place in the international environment on the development of the countries and peripheral regions (i.e. regions that are underdeveloped in economic terms). It has been indicated that spontaneous globalisation and liberalisation – on the level of national and regional economies – intensify side effects of the market mechanism which is manifested as adversely growing development imbalances. Market fallibility points to the need of enclosing these processes in institutional frameworks, which would correct market regulations. Compensatory cohesion policy of the European Union makes integration processes more attractive to the underdeveloped countries and regions than the offer of global capitalism. However, overcoming mutual discrepancies between social goals and economic effectiveness still remains a challenge. On the other hand, evolving towards an information society and a knowledge-based society supports holistic and interdisciplinary thinking, where economic rationality is but one of a number of aspects, and not the key issue. Such tendencies favour dissemination of principles of humanism which motivate to reduce unnecessary development disproportions and to carry out sustainable development. At the same time, the fact that some areas are underdeveloped while functioning in a knowledge-based economy is mainly due to the quality factor, hence it is more durable by nature and it requires more time to be eliminated.

Keywords: determinants of development, growth of developing countries, sustainable development.

JEL classification: O10, R11, Q01.

Introduction

One of the goals of this work is to point to the fact that ignoring social aspects of economic governance, which is characteristic of a liberal model of market economy¹, may have a negative outcome for the development of peripheral countries and regions². Moreover, this may also have adverse impact upon the effectiveness of resource allocation both in global and prospective terms. The discussion is based on a theory which assumes that the competition mechanism on the level of regional and national economies generates side effects in the form of harmful growth of discrepancies in development, especially in spatial arrangements³.

The presented conclusions are based on the analysis of development impulses which are generated by the changing international civilisation environment, especially with reference to peripheral areas. J. Naisbitt points to some megatrends of the end of the 20th century and the beginning of 21st century, and these include e.g. the following transformations: from industrial society to information society, from “power” technology to high technology and “high social sensitivity”, from national economy to global economy, from short-term thinking to long-term thinking, from centralisation to decentralisation, from institutionalised help to self-help, from hierarchy to network, and it also includes the phenomena of welfare state privatisation, religious revival and triumph of an individual⁴. Most of them accompany or result from globalisation, integration processes and transformations towards knowledge-based economy.

1. “From national economy to global economy” – hazards and opportunities of globalisation

Globalisation as a spontaneous process of liberalisation of goods, capital, labour, technology and information markets⁵ provides conditions for a free movement of production factors. According to the assumptions of neoliberal economy it is a desired phenomenon which fosters the functioning of free market competition on a global scale and increases the effectiveness of resource allocation.

On one hand, the growth of competition induces positive incentives, which encourage nations and regions to invest and to undergo modernisation; on the other hand, however, it clearly favours strong areas with firm competitive position. What we observe here is the mechanism of acting according to the rule of economic rationality: production factors move towards those activities (in sector approach) and those areas (in spatial approach) which guarantee higher rate of return. As a result, the underdeveloped countries and regions which are associated with high risk investments are “condemned” to a deepening marginalisation. Economic rationality in

the conditions of economic liberalism strengthens multi-dimensional Darwinisation⁶ of human behaviour and organisations. Such pro-growth incentives provoke most of all “substitution” development of some areas (usually highly developed ones) at the cost of others. In a long run, however, relationship based on a zero-sum game turns out to be disadvantageous for both sides⁷.

A lower level of development usually stands for lower cost of production which, in a model approach, ought to stimulate the movement of capital to the underdeveloped areas. Lower cost is not, however, synonymous with absorbability. In practice we observe that investments are mostly directed elsewhere, namely towards those countries which are prepared for investment in economic and institutional terms⁸. The condition for use of this type of positive incentives by the underdeveloped areas is to enter the path of consistent mobilisation and modernisation of internal resources. At the same time, however, these areas are entangled in problems from the past and it is relatively harder for them to respond to the emerging needs and challenges posed by the environment. Moreover, competing to win the external investors involves a threat of creating an excessive dependence of the development on the location-related decisions of transnational corporations. This threat is particularly valid for the peripheral regions where external capital has the inside track in tenders.

Spontaneously deepening interdependence of markets, economies and other dimensions of human activity (cultural, political) in various places in the world facilitates, beyond doubt, the processes of diffusion. At present we observe a faster dissemination of technology and innovation, which is accompanied by intensified process of withdrawal of resources from less developed areas. Advancing liberalisation condemns them to functioning in the conditions of elevated risk of migration (outflow) of their resources towards other regions and countries which offer more advantageous conditions of operation. And again, side effects of the mechanism of thinking and acting in terms of economic efficiency become visible. They often surpass the spill-over effects – the spilling of developmental incentives and good practices.

The conclusion we can draw on the basis of the above deliberations is that spontaneous operation of the rules of market competition on the level of national and regional economies leads, to a large extent, to detrimental concentration of wealth and to allocation of resources outside the peripheral territories. It also moves social goals of economic governance – such as limiting social inequality, stimulating the development of marginalised areas – to the background. From the point of view of the development of the peripheral areas these tendencies impede their inclusion, on comparable terms, into political, social and economic life.

2. “From centralisation to decentralisation” – the influence of European integration

What complements our deliberations on the consequences of globalisation are the conclusions drawn from the integration processes, especially those that take place in Europe. Integration is, in fact, a directional and more advanced process of liberalisation and reinforcing inter-dependence, which is in addition accompanied by the creation of institutional frameworks. What is more important, though, is that community policy is trying to combine the rules of economic rationality with the social aspects of economic management.

The fundamental goals of the European Union are directed at competitiveness strengthening, but at the same time at the enhancement of cohesion in three dimensions: social, economic and spatial. Consideration for the activities that limit excessive development disproportion makes integration processes more attractive to the underdeveloped countries and regions than the offer of global capitalism.

Duality of the objectives is characterised, though, by some internal contradictions which results in neither of the objectives being fully reached. Activities undertaken to enhance competitiveness within the framework of a market economy amplify the differences and the cohesion policy is, by its nature, a compensating policy and thus reducing EU's capacity to compete on a global scale⁹. As a result, in the last dozen or so years we have been observing some failures in the field of competitiveness policy (growing gap in development between EU and USA), as well as in the field of cohesion policy (the experiences of member states point to simultaneous occurrence of processes of convergence – which are observed mainly at the level of community as a whole – and divergence – observed mainly within particular countries)¹⁰.

An important barrier in realising the established objectives is inappropriate selection of regulators and excessive bureaucracy, which produce high transaction costs of the use of non-market regulators, delays in the phases of establishing priorities, tools of implementing, monitoring and correcting them¹¹. The key weaknesses of the European Union economy are mainly related to the regulation system. They are then transferred onto the level of EU signatories.

The example of the European Union visualises two facts: first of all, it shows that respecting social aspects requires a correction of the market mechanism in the form of an institutional regulation. Secondly, it points to the fact that reconciliation of social goals and economic efficiency still remains a challenge. Some of the solutions used by the EU could serve as the basis for elaborating an efficient model of coordination. These are e.g.:

- decentralisation and passing decision-making power to the lower levels of territorial administration (under the cohesion policy), which allows better adjustment of undertakings to the actual needs of particular territorial units. This is a step away from the situation in which conditions are dictated by the stronger party and cannot be altered,
- the possibility for the underdeveloped regions to use additional financial subsidies from structural funds that allow fighting down endogenous and chronic shortage of capital. Granting those funds is based on the principles of subsidiarity, supportiveness, complementarity for local initiatives. Moreover, their destination is usually defined in such a way that they can increase the ability of using the whole production potential.

3. “From an industrial society to an information society” – development in a knowledge-based economy

Transformations which take place along the expansion of knowledge-based economy (KBE) add to the importance of soft factors of development which are related to an individual, their knowledge and skills. This is expressed e.g. in the concepts of human capital, social capital, intellectual capital and local innovative milieu. Acknowledging an individual, or actually their knowledge in a broad sense, as a leading force which propels today’s economy has naturally enlarged the scope of interest of economists. What they have started to take into consideration are issues which remained beyond mainstream economy until now – institutional aspects, axiological, ecological etc. These tendencies have supported the approach based on holistic and interdisciplinary thinking, where economic efficiency is but one of a number of aspects, and not the key issue in the hierarchy of objectives. Such impulses give good perspectives of development for peripheral areas since they favour dissemination of principles of humanism, which motivate to reduce unnecessary disproportions in development.

These tendencies are accompanied by transformations leading towards an information society, where the basic forms of relationships are network arrangements, especially including relationships in cyberspace. The development of modern information-telecommunication infrastructure provides an opportunity to overcome traditional barriers of development, generating, however, new, untraditional areas of imbalance (e.g. digital divide) connected with the lack of access to information and to information technologies. The line of these imbalances is very often similar to other, already existing divisions – which intensifies them.

It is worth noting that the new forms of activity (a shift from resource-intensive industries to services and knowledge-intensive industries) create new developmental requirements. They point to the fact that such processes ought to be based on internal accumulation of knowledge and capital. Embedment in endogenous concepts of development does not contradict external help for the developing areas. This help is actually assigned a causal power capable of inaugurating developmental processes for those territories¹². It is being emphasised, however, that there is a necessity to adjust its local conditions and its pro-development direction so that the risk of establishing and consolidating the so called dependent development is diminished.

We also need to note that when KBE enters spatial arrangements it comes across various conditions for development. According to the theory of technological duality, in such a case polarisation increases, since only some territorial arrangements offer location conditions which are favourable for high segments (high quality, good accessibility, metropolises). Territorial arrangements are segmented: the so called high segment produces innovations which allow higher salaries and profits as well as stable competitive advantage. On the other hand, low segment – which is dominant in underdeveloped areas – produces goods using small capital resources and little labour force – its price is competitive – and it is in constant danger¹³.

By intuition we may say that it is going to be very difficult to overcome the peripheral nature of some areas in the conditions of knowledge-based economy. Under-development in a knowledge-intensive economy is mainly due to quality factors, hence it is more permanent by nature and so it will take longer to be eliminated than in was in the case of resource-intensive economy (where quantitative factors were of uttermost importance)¹⁴.

4. “From short-term thinking to long-term thinking” – spatial approach to sustainable development

The idea of socio-economic development is well understood in theory. It is in general defined as the process of positive changes which include quantitative growth (it is identified with economic growth) and accompanying changes which are quantitative and structural by nature, e.g. concerning the use of techniques and technology of production, methods of management, social relations, the condition of natural environment etc. What is stressed in mainstream economic deliberations is usually the material aspect of these processes. It is assumed that quantitative changes are primary in relation to qualitative and structural changes and the market mechanism plays a leading role.

However, in the last decades of the 20th century, when we were facing crises of social and ecological nature it was pointed out that development ought to enable permanent long-term improvement of the quality of living – not only of present but also of future generations (according to the principle of intra- and inter-generation equality). It should have some characteristics of sustainable development, i.e. development which covers all dimensions that constitute it – at the same time and in appropriate proportions: they do not only include the material, economic aspect, but also socio-cultural and ecological aspects¹⁵.

The above postulates are clear in theoretical terms, but some ambiguities and dilemmas occur in practice. An example of it could be alternative choices between current consumption and accumulation in favour of future consumption, between the scope of freedom of economic governance and environmental protection, and there are finally the issues related to social inequalities on various levels.

These dilemmas also have their spatial repercussions. Within the borders of a country they are visible as always unsettled disputes on the distribution of emphases between promoting the development of regions with strong competitive power and creating conditions to strengthen peripheral regions' potential for development. According to G. W. Kołodko's theories it seems that these problems ought to be perceived as part of global arrangement. Kołodko says that providing multidimensional sustainable growth on a global scale is connected with conscious and purposeful decrease of the growth rate in wealthy countries and at the same time enhancing the growth in poor countries¹⁶.

The idea of sustainable growth generates incentives which support advancement in developing areas. The justification of such activities is the inter-generation responsibility underpinned with axiological bases (ethic norms) and long-term thinking (strategic thinking). Noble goals need to be fulfilled, however, in the context of present day reality which is partly created by the market mechanism e.g.: short-term thinking, competitiveness and competition, efficiency and maximising profits. For a rational *homo oeconomicus* the idea of sustainable growth does not provide sufficient justification for supporting the development of those societies which have smaller economic achievements. According to H. Rogall, between the image of *homo oeconomicus* and that of *homo sapiens*, the former prevails in a liberal market economy¹⁷.

According to G.W. Kołodko, the global strategy of sustainable socio-economic development requires: reformulating the system of values (economic governance must take cultural conditions and social environment more into account), reorienting institutions and changing the ways of carrying out politics (towards a greater supranational coordination)¹⁸.

Conclusions

Changes in the international civilisation environment induce the incentives that deepen exclusion but also those that stimulate marginalised economies to undertake a pro-development modernisation. In the conditions where the rules of free market competition are in operation, the impulses that get the advantage are those that deepen world's differentiation. The premise for such a conclusion is a tendency for growing excessive (adverse) inequalities in development between countries and regions, which has been observed at the turn of the 21st century.

Spontaneous processes of globalisation – on the level of national and regional economies – clearly show and amplify the side effects of the market mechanism in the form of growing development disproportions. Market fallibility points to the need of enclosing these processes in institutional frames, which would provide a correction of market regulations. It is not about programming but stimulating in the direction of starting the mechanisms which move away from rational goal-oriented attitude, which support community type of thinking, long-term orientation and at the same time induce pro-growth incentives in the underdeveloped areas.

Institutional coordination would thus be a form of normalising of certain types of behaviour and rules. Such a model of regulation would replace the currently existing relations between the centre and peripheries based on exploitation or dependence-forming supportiveness. The example of the European Union shows that conciliating the social goals (such as compensating for an excessive development disproportion) with economic efficiency is an extremely difficult task and still remains a challenge, both: for theoretists and practitioners.

However, reality itself asserts, in a way, respect for social conditions of economic governance. First of all, financial, energy, demographic, axiological crises emphasise threats connected with spontaneous expansion of rules of global capitalism. Secondly, transformations towards an information society and a knowledge-based society support holistic and interdisciplinary thinking, where economic rationality is but one of a number of aspects, and not the key issue. These tendencies direct our attention to the principles of sustainable development.

Notes

¹ See Kołodko (2010), p. 95.

² These mainly include underdeveloped areas and those dependent upon external policy. See Olechnicka (2004), p. 56.

³ See e.g. Siwiński (2005), No. 6, pp. 728–731; Kołodko (2002), No. 6, pp. 775–811.

⁴ Naisbitt (1997).

- ⁵ Kołodko (2008), p. 98.
- ⁶ L. Zacher uses a stronger term here – “the PBI syndrome” which stands for growing primitivism, barbarisation and growing idiocy of present and probably also future societies [in:] Zacher (2006), p. 91.
- ⁷ This is e.g. due to the fact that the dynamics of development of highly developed countries is more and more dependent upon economic stability of countries representing a lower level of development. See Żukrowska (2008), pp. 13–16.
- ⁸ Until 2009 developing countries and countries undergoing transformation absorbed about 30% of the global capital flow in the form of foreign direct investments – FDI (e.g. in 2009 it constituted 21%). It is true that in 2010 this share grew up to 50% but the process was accompanied by considerable limitation of capital inflow in the form of FDI to developed countries struggling with economic crisis. At present it is hard to estimate how long the observed change of relationship in FDI absorption is going to last. See United Nations (2010).
- ⁹ Pancer-Cybulska, Cybulski [in:] Woźniak (ed.) (2008), p. 54.
- ¹⁰ According to the reports on socio-economic assessment of EU regions’ evolution, between 1995 and 2004 there was an increase in diversification between regions in the United Kingdom, Sweden, the Netherlands, Portugal, Poland, Hungary, the Czech Republic, Romania, Bulgaria and Slovakia. Small changes occurred at that time in Germany, France, Greece, Spain, Italy, Belgium and Finland, and only in Austria were these differences diminished [in:] *Growing Regions* (2007), p. 11.
- ¹¹ Woźniak [in:] Woźniak (ed.) (2008), p. 29.
- ¹² Grosse (2007), No. 1 (27), pp. 27–29.
- ¹³ The theory of technological duality emphasises the technological factors of regional development. It stresses the inability of technology and production techniques to spread in underdeveloped countries (limited capacity to finance capital-consuming investments, low qualifications of people, the necessity of leaving a majority of people in a relation with the traditional sector) [in:] Gorzelak (2003), No. 1 (1), p. 43.
- ¹⁴ Gorzelak, Jałowiecki (2000), No. 1 (1), p. 16.
- ¹⁵ Rogall (2010), pp. 24–25.
- ¹⁶ Kołodko (2008), p. 281.
- ¹⁷ Rogall (2010), p. 186.
- ¹⁸ Kołodko (2010), pp. 98–99.

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