



# *Regional disparities - a prerequisite for or problem in developing of regions?*

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## **Region.**

Before we begin to talk about regional disparities, we need to clarify what we mean by the term 'region'. Depending on the purpose of the study, the term "region" may be used with different meanings. It can be assumed that the region is a distinct part of a territory, a continent or a country that has specific characteristics that distinguish it from other regions.

Indeed, the use of the term "region" in the scientific literature begins with a change in scientific thinking, namely with the advent of the regional paradigm. This is the period of post-war revival of countries in Europe, the time of the Great Depression in the United States and the emergence of the Soviet Union. In this way with the changes in the political aspect and the change in the leading paradigm, there is a change in the scale of the studied territories. The leading position in the economo-geographers' research occupies limited places in the space, which are formed on the basis of natural and social factors, namely "regions". The emergence of the term "region" itself is a prerequisite for problems with its proper definition.

In 1939, Richard Hartshorne, in his book, "The Nature of Geography", considered that the primary objective of geography as a science was to study the Earth's surface by its causation-related differences or, in other words, the spatial differences of the Earth's surface (Haggett, 2001, p. 369). It is precisely that he introduces the "region" as a geographic unit to become the object of the research. Hartshorne presents regional research based on regional geography, which interacts with relevant systematic science and creates specific regions. These regions are not the same, with a pattern of intertwined specific trends of systemic

variables occurring in each region at a given time (Stoychev, 2012, p. 25).

Another view of the division of regions is presented by Peter Haggett in his research paper "Geography: Global Synthesis" (2001, p. 367). In his study, the author makes a clear distinction between "area" and "region". While "area" is used as a geometric part of the Earth's space without affecting homogeneity and cohesion, the "region" is a space in which the character and area ratio produce some form of cohesion /convergence. According to Haggett, the region is defined by "specific criteria and is homogeneous or united only in relation to these criteria". Thus, Haggett classifies the regions on the basis of one or several attributes and features in terms of the sum of the human occupation of space.

In essence, the regions are a particular part of economic and administrative structures of each country. According to Przygoda (2004), the term "region" should be understood as "a relatively homogeneous area separated from its surrounding environment, distinguished by neighboring areas by its nature or acquired characteristics that are created due to noticeable, recognizable factors".

Buček (1996) defines the region as a geographical object that has the character of a spatial unit with properties of a system characterized by its integrity, relative isolation and functional organization. Moreover, the region is defined as a dynamic spatial system characterized by specific natural and socio-economic characteristics other than the other area. This is not only a spatial but also an economic and social unit.

Matoušková (1997) makes an interdisciplinary view of the region: she defines the region as a geographically distinct area that has common socio-economic, ethnic, geographic, historical, cultural and other characteristics.

Depending on the need of the research may use different aspects of classifying regions - spatial aspect, demographic, geographic, territorial, statistical aspect, climate aspect, the importance of tourism and others.

The regions differ mainly on the level of their economic development, which is due to the following factors: localization of enterprises in the region, their frequency, branch structure, economic stability, intensity of intra-regional economic relations, type of organizational forms; quantitative and qualitative characteristics of the population and its movement; technical and social infrastructure in

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terms of complexity, quality and quantity; the available natural resources and their level/extent of use; directly and indirectly the national economic policy (Durkova 2012).

An important factor in the study of the regions as a whole is transport. It provides a clear picture of the statute of the region, as well as a prognosis of its development. Almost all theories and research over the years justify the proximity or remoteness of an object over another. With regard to enhancing the competitiveness of the regions, the study of the category, a central focus, mandatory demand and supply, transport costs, globalization, competitive advantage, and subsequently increased regionalization, clustering, R & D, etc. continue to be significant. In relation with this, scientific knowledge goes through various stages characterized by specific scientific discourses in separate scientific paradigms that have changed in the long run.

Over the years, the question of the spatial organization has remained a leader. So the study of spatial organization is also strongly influenced by the development of localization theories. One of the first attempts in this direction could be the later recognized model of the German landowner Johann von Tünnen, who in 1826, based on his personal beliefs, sought to optimize the relationship between land rent and spatial organization arising from distance, respectively transport costs. In the following years many authors are working on different ones for spatial organization. Some of the most significant works in the area of localization in a simplified economic environment are the scientists such as Christaller (1933) on the hierarchy of central locations, the distribution of Losch's market centers and market areas (1954), the changes in the size of Losch's hexagons (market areas), in researches of Walter Isard (1956), Stuart's gravity model (1947) and others. From the research of the location in a heterogeneous environment, authors such as Weber (1909) have contributed, who first developed the idea that resources were more localized than ubiquitously distributed. Part of the researches used, developed by Walter Isard (1956) replacement frame. Also important for the analysis are Smith's cost curves (1966), which can be used to solve a number of complex localization situations. In Smith's method is used the isodapan technique, which was developed for the first time by Weber, explores the cost of a work force on the localization approach he develops to minimize transport costs

(Stoychev, 2012).

At the present stage of the development of geographic science, the research of the regions within the framework of the New Economic Geography (NIG), introduced by Paul Krugman in 1991, became more and more relevant. Many authors such as Krugman, Fujita, Mori, Venables, Ottaviano, Tabuchi and others, working in the framework of the NIG, examine models developed on the basis of national regions, intergovernmental comparisons, globalization, etc. We can say that it is also the basis of the most modern concepts of regional development and politics.

### **Regional disparities.**

In recent years, the term "disparity" has become widely used. Translated from the Latin "disparitas" means "divided". Due to the widespread use of the term in scientific literature, and in particular in regional policy, there are many definitions.

According to one of the definitions given by the OECD (2002, 2003), "Regional (spatial) disparities express the scope of difference of intensity manifestation of economic phenomena under investigation observed within regions of given country. Territorial disparity indicates the scope the intensity of given economic phenomena differs to between regions within given country". This definition has a considerably limited focus as it only applies to the territory of a particular country.

Another definition is given by Karin Vorauer (2007), namely: "Regional disparities we understand deviations from any conceptional reference division of characters taken as relevant, in association with different spatial benchmark levels (region borders)".

It should be borne in mind that while "disparity" can be interpreted broadly as a difference or inequality of certain characteristics, processes and phenomena, the identification and comparison of which there may be psychological, social, political and other meaning, "regional disparity" is a disparity or inequality in indicators, processes and phenomena, divided into distinct territorial structures occurring in at least two distinct units - regions. So, we cannot talk about regional differences without having at least two regions to compare.

The development of regional disparities takes place over time and space, and it is uneven. Therefore, the study of this phenomenon requires



multidimensional /multi-criteria analysis as well as a systematic review of the phenomenon. In addition to the economic indicators, the components of social, territorial, political and administrative, environmental, infrastructure and other spheres are included here. Thus, quantitative methods are mainly used, based on the classification of the data obtained from the different areas for convergence and comparison of the regions surveyed. In addition to quantitative methods, qualitative methods are also used based on expert analysis, analysis of a particular regional problem, an important feature of the study of regional disparities is that the results of the survey are used in the development of future policies for managing regions. Typically, these differences are perceived as a negative feature of the region and a way to reduce them is sought. Another trend in the study of regional differences is precisely the positive effect they have on regional competitiveness as a major tool for overcoming the differences in the degree of development of the different regions. This gives a new light to the study of this phenomenon by emphasizing the entrepreneurial environment in the regions on the basis of differences, by seeking effective measures to encourage investment in individual sectors, in line with the advantages of the individual regions.

Regional disparities are explored for two main reasons. The first reason is to identify and investigate the differences in the site, respectively indicators in the selected set of countries, regions, municipalities, etc., what is the impact of their changes. In other words, the study of structural and behavioral changes. This detects the negative trends that led to this deviation.

The second reason for their study is related to the consideration of differences between the subjects, their uniqueness, which will lead to strengthening the competitiveness of the regions. This approach explores positive trends.

By examining the negative and positive characteristics of the sites concerned, they can be seen as strengths and weaknesses in the development of the regions. Usually, weaknesses are associated with something that does not reach the region - missing sources and opportunities to use available resources, while strengths express the uniqueness of the region, its sources and capabilities. In this sense, regional policy seeks to differentiate and, at the same time, make effective use of the diverse potential for space development. Regions are thus considered potentially equivalent,

with similar chances for development according to their size and conditions.

It is important to bear in mind that the characteristics, development and forms of regional differences depend on the research aspects. Thus, some authors prefer to explore economic, social and territorial differences, while other authors prefer the temporal aspect of differences.

The main question to be answered in the study of regional differences is whether regional systems tend to converge on the same indicators or, on the contrary, they tend to deviate from each other. So many of the scientific studies have been influenced by the leading scientific paradigm during this period. This results in results based on the political experience that has been accumulated at the moment and reflects the main past social and economic trends.

Regional disparities can be classified as horizontal and vertical. The horizontal perspective is associated with the place of their occurrence, while the vertical with their geographic frame. The horizontal perspective can be both material and non-material. It can also be divided into economic, social and territorial (Kutscherauer, 2010).

The identification and measurement of regional disparities is the basic condition for the adoption of spatially oriented socio-economic instruments that will help to reduce or eliminate these disparities.

One of the main problems in assessing of regional disparities is the choice of a range of indicators to measure regional disparities. Some of the indicators used are integrated and include economic potential, living standards, the environment, etc., while others are more specific and cover the economic and social potential of the surveyed regions. Thus, on the basis of the results of the regional differences studies carried out, various regional policies can be created. These policies aim to influence or reduce disparities between regions through a range of instruments. Some of the tools used are aimed at stimulating the workforce, expanding entrepreneurship through subsidizing, mass industrialization and sectoral policies, by taking deregulation and decentralization measures, investing in human resources development, fostering innovation and dissemination Through clustering, promoting the development of small and medium-sized enterprises, etc.

According to Klaassen and Vanhove (1987)<sup>1</sup>, structured regional policy instruments help regulate regional differences in several ways. They



conditionally divide the instruments into seven groups: infrastructure aid, financial stimulus, disincentive measures, decentralization of state institutions, regional distribution of public investments and auctions of public investments and tenders, regional development agencies and macroeconomic policy instruments.

The instruments created for infrastructure aid are intended for regions with insufficient or low level of infrastructure. Financial stimulus tools create subsidy facilities, tax incentives, easier lending, etc. Measures taken as disincentive aim to reduce the excessive concentration of economic and other activities in a given territory such as overcrowding, etc. The instruments for decentralization of state institutions delegate more powers to individual regions. The regional allocation of public investments and trends is realized in several ways, including the launch of public enterprises, investing public funds in research, and so on. The creation of regional development agencies aims at helping the regions to carry out their activities. Macroeconomic instruments refer to state subsidies, credit lines and transfers.

In regional practice there are a number of methods for assessing regional disparities. Leading among them are the method of comparison between regions, the method using Geographic Information Systems, the variable level method, the statistical method, the use of Gini coefficient, etc. Each method is used depending on the purpose and scope of the research.

Regional disparities are not necessarily a flaw/obstacle, but rather mandatory for growth and development in the country's economy. Due to the advantages in a given sector of a region, he profits from the export and processing of these goods while at the same time specializing. Catching up in the development of individual regions should be pursued on the basis of a policy that does not create exactly the same regions, but applies to everyone as a separate, individual case. What is compulsory for a region is not necessarily to be fulfilled in another, and vice versa. Examples are specialized agricultural and industrial centers and regions. In 1909, Weber came to the conclusion that the localization of natural resources was not

homogeneous throughout the territory, which is a prerequisite for the localization of processing facilities in limited territories/localities. So paraphrased for our purposes, we can say that each region benefits from basic natural resources or feels deficiency of some, thanks to which it specializes in the region. Thus, according to Riccardo's Comparative Advantage Law, each country has comparative advantages in the production of certain goods or the benefit of trading for other goods for whose production comparative advantages are enjoyed by other countries (Rousev, 2008). This law is universal because it takes into account the balancing mechanisms and the equilibrium trends of the free market. Thus, it can also be applied to the individual regions that have to trade among themselves as their advantages (exports), while in the background to meet their needs and to tackle the shortcomings by importing goods and services from other regions.

#### **Regional development – Regional policy.**

According to Dr Toni MacCall (2010), "disproportion and disparities have political implications that are driven by the social consequences of regional decline". It is precisely in order to overcome the problem of the differences in the development of the regions that a proper mechanism for their management is sought. This proper mechanism is expressed in a package of strategic and normative documents. Their goal is to create and implement correct policies in the management of the regions. Thus, regional policy can be considered as a correction, which aims to create rules and guidelines for improving the development of individual regions. This does not involve, at all costs, the unification of the regions, but rather the strengthening of their competitive advantage on the basis of the main advantages of the region. This in turn is a prerequisite to confirm once again that GDP only should not be used as a key indicator of the region's development. In the dynamic conditions in which we live, it should be borne in mind that the indicators that have dictated the trends in scientific research to determine the living standard of the population in a given territory for years, while the measurement of the financial, the social potential, the ecological potential of the territory, the ecological footprint left behind by the industrialization of the region, the index for the development of human resources, etc. Over the

<sup>1</sup> Kutscherauer, Alois at al. Regional disparities in regional development of the Czech Republic – their occurrence, identification and elimination. Regional disparities. Disparities in country regional development - concept, theory, identification and assessment. Ostrava. 2010.



years, the human factor - the potential for human capital development - has become increasingly important. In this way new methodological tools are being developed to study the dynamics of natural systems.

There are different approaches to regional development. Each of them helps us to explore a particular issue by providing a way to evaluate policies and programs. A theoretical approach is essential because they provide explanations of how "how" and "why" certain problems of regional development arise. So our solutions to specific issues are more informed. One of the key issues is finding a solution to the problem of how small subnational economies (the regions of the country) respond to the challenge of globalization. Finding the right answer to the question lies precisely with government policies in this area.

Regional development has undergone a number of changes in the scope of its influence. Towards the end of the 20th century it was considered by a number of disciplines - political, social and economic. Thus, the focus of regional development shifts to what the region can be and how many factors - not only economically - shape the idea of the region. At a later stage in its development, economic geography joins the other disciplines, and the focus of regional development is more on the spatial dynamics of the regions - such as places to live, work and invest.

In more recent times and as the discipline progresses, with the emergence of new theories of regional development, the main emphasis is further developed on human and social capital and on innovation and spatial dynamics - demographic change. The focus on regional development research is changing as global processes become more global. It is presented as "... a dynamic result of the complex interaction between territorially oriented rational networks and global product units in the context of changing regional governing structures" (Coe et al 2004: 469).

In terms of regional development, each government is taking concrete measures set out in the prepared regional policy. Regional policy is a practical tool for ensuring stable economic growth in a given territory. It is a set of certain solutions and different concepts enriched by theoretical models. The main object of the decisions implemented through the means of the political and normative regulations is to introduce a change in the structure of the already functioning social and economic

structure as well as the spatial order of the given territory. (Strezalacki, 2008, p. 78). Regional development policy focuses on clusters and agglomerations. This also defines the main challenge facing regional scientists, namely to recognize problems, analyze them, develop approaches in which to incorporate knowledge accumulated and bring results into policy frameworks and recommendations in response to challenges and opportunities Of the regions in which they live and work. This only confirms the thesis that the theoretical experience accumulated over the decades has to be taken into account when making decision-making and implementing specific policies in the field. In order to have a well-functioning mechanism, we should enable cooperation between the scientific and expertise capacities available to the country.

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