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IN SEARCH OF A STRATEGY OF TRULY 'INTE-
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Edited by
R.P. Misra and M. Honjo

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Edited by R.P. Misra and M. Honjo

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TOWARDS "ANOTHER" REGIONAL DEVELOPMENT? IN SEARCH OF A STRATEGY OF TRULY "INTEGRATED" REGIONAL DEVELOPMENT*

WALTER STÖHR

DISCUSSION IS currently under way in search of "Another Development" at the international scale¹ to put relations between highly developed and developing nations on a new basis in the frame of a "New International Order", with the aim of creating a self-sustaining mechanism for the reduction of international disparities in living levels.

The present paper maintains that also at the regional scale within countries "Another Regional Development" needs to be defined which should put the relations between highly developed and developing regions within countries on a new basis in order to create a self-sustaining mechanism for the reduction of interregional disparities of living levels within countries. This type of "Another Regional Development" is proposed as an alternative to the presently practised strategies creating externally dependent regional development on the basis of redistributive mechanisms of increasing magnitude which inevitably lead to a growing centralization of power in a state capitalist or private capitalist sense.

The essence of this proposal is a call for the provision of greater collective self-reliance in regional development strategies at the subnational scale. The author is aware of the fact that for a continent such as Latin America which has had a history of almost exclusively externally dependent development — much longer in fact than the countries of any other of the developing continents — such an alternative strategy may be more difficult, but nonetheless necessary to implement. The scarce attention given to such alternative concepts in Latin America so far is symbolized by the fact that in Spanish there exists no term for

* A prior version of this paper was presented at the Seminar on National Strategies of Regional Development held in Bogota, Colombia in September 1979.

¹ Dag Hammarskjöld Foundation, "Another Development", *Development Dialogue* (No. 1/2, Uppsala, 1975).

self-reliance and that only recently the discussion on a proper translation of the English term into Spanish was initiated.²

This paper tries to show that conventional regional development policies have in important respects led to regional disintegration, particularly of less developed peripheral areas. This regional disintegration refers to the use of production factors, to regional economic activities, to environmental variables, and to sociopolitical relations.

As an alternative, the author presents some features of "Another" territorially integrated regional development strategy "from below" for discussion. In the following paragraphs, some basic characteristics of conventional regional development policies are schematically presented, followed by a discussion of the major conceptual bases of these policies.

CHARACTERISTICS OF CONVENTIONAL REGIONAL DEVELOPMENT POLICIES

The basic objective of regional policies in most Latin American countries, as in other continents, has been to influence the spatial incidence of development over the respective national territory. In market or mixed economies, such as those of Latin America, this is mainly done by spatially differentiated (1) *incentive* or (2) *restrictive* measures, supported — and sometimes even implemented — by public financial transfers and infrastructure investment. In many developing countries this is also done via State sponsored enterprises.

Incentivating regional policies attempt to accelerate the development process either in (a) *underdeveloped* regions where the *population* is considered to receive insufficient developmental impulses, or in (b) *undeveloped* regions where *natural resources* are considered to receive too few developmental impulses.

(a) For *underdeveloped* regions these policies aim at letting their *population* participate to a higher degree from the benefits of the national or international development process. These policies usually concentrate on the *regional demand side*, mostly neglecting a fuller mobilization of regional resources; they are geared towards redistributing the benefits of the national development process and thereby reducing interregional disparities in living levels.

(b) For *undeveloped* (usually peripheral) regions these policies aim at *incorporating* their *natural resources* into the national economy. These policies concentrate on the *regional supply side* and usually neglect the distribution of benefits from this development process. They are usually applied to resource frontiers which in most Latin American countries still constitute an important potential for national development.

² V.I. Urquidí, "Translating 'Self-reliance'", *International Development Review* 1 (1978): 34.

In principle, regional policies can be oriented towards the supply side (resource mobilization), towards the demand side (distribution of benefits) of the development process, or at *both of these sides* and attempt to *better integrate them*. The practical problems arising from the frequent separation of these two sides of a regional economy and from the disintegration of specific factors will be discussed later.

Restrictive regional policies are in some countries used to reduce the rate of development of highly developed areas which are overutilizing their regional resources or are withdrawing substantial resources from other regions. Such policies are applied to some metropolitan areas or other regions which benefit unproportionately much from the national or international development process. In Latin America such restrictive policies however are rare and have usually been substituted by programs to rationalize and reorganize the spatial structure of these highly developed areas in order to better facilitate, rather than to actually restrict, their development. This may be due to the coincidence of the interests of the dominant national power groups with these major metropolitan centres and/or with a fear of these countries of otherwise losing international competitiveness. Brazil seems to be the only Latin American country recently parting with such concern. However, we shall not pursue this group of restricting regional policies further in this paper, but rather discuss the incentivating ones in more detail.

Most of these regional policies are oriented towards improving national integration along two lines: physical integration via a national transport and communications network; functional integration via the establishment of nationwide factor and commodity markets. Their basic assumption is that once a sufficiently high degree of national physical and functional integration is reached, regional inequalities in development would — possibly with some transitory policy measures — even out by an automatic equilibrium trend and by a "trickling down" of development over the entire country.

CONCEPTUAL BASES OF CONVENTIONAL REGIONAL DEVELOPMENT POLICIES

Two theoretical concepts and a number of ensuing operational practices are the bases of conventional regional development policies.

The two sets of theoretical concepts are those of (1) neoclassical economics and (2) of development as a "trickling down" process³ operating in a "centre-down" fashion.⁴

³ A. Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1958).

⁴ N.M. Hansen, "Development from Above: The Centre-Down-Development Paradigm" in W. Stöhr and D.R.F. Taylor, eds., *Development from Above or Below? The Dialectics of Regional Planning in Developing Countries* (London: Wiley, 1981); and W. Stöhr and F. Tödtling, "Spatial Equity — Some Antitheses to Current Regional Development Doctrine", *Papers of the RSA* 38 (1978) reprinted in modified form in H. Folmer and J. Oosterhaven, eds., *Spatial Inequalities and Regional Development* (Leiden: Nijhoff, 1979).

The Influence of Neoclassical Economics

A basic assumption of neoclassical economics is that regional imbalances between supply and demand of production factors or commodities will even out automatically once the accessibility between regions and the mobility of production factors and commodities is increased sufficiently.⁵ Regional imbalances in supply and demand are considered to manifest themselves in differences of factor and commodity prices between regions. Regions with high supply and low demand will have low prices for the respective factor or commodity, regions with high demand and low supply will manifest high prices. With sufficient accessibility and mobility, factors and commodities will move from regions of low prices to regions of high prices. In the first ones, supply will thereby diminish and increase prices, in the latter supply will increase and cause prices to decline. In this way prices were expected to converge towards an interregional equilibrium of equal factor and commodity prices over the entire national territory. As long as no major "leakages" occurred, equal factor prices would also lead to equal income levels.

A major condition for this to happen was national territorial integration via improvements in the national transport and communications network, and national functional integration via the promotion of nationwide mobility of production factors (labour, capital, technology) and of commodities, i.e. their maximum integration into national and international factor and commodity markets.

The "Trickling-down" and "Centre-down" Paradigm

The second concept which heavily influenced conventional regional development policies was that of the polarization and trickle-down characteristics of development, going back to the work of Hirschman,⁶ Myrdal,⁷ and Perroux,⁸ as Hansen⁹ has shown. These theories are very closely related also to the development of the growth centre concept.

The basic assumption is that development can start only in a relatively few dynamic sectors and geographic locations from where it is expected to spread to the remaining sectors and geographical areas of a country.¹⁰ This trickle-down

⁵ H.W. Richardson, *Regional Growth Theory* (London: MacMillan, 1973).

⁶ Hirschman, *The Strategy of Economic Development*.

⁷ G. Myrdal, *Economic Theory and Under-Developed Regions* (London: Duckworth, 1957).

⁸ F. Perroux, "La notion de pôle de croissance" in *L'économie du XXème Siècle* 2nd ed. (Paris: Presses Universitaires de France, 1964), pp. 142-54.

⁹ Hansen, "Development from Above".

¹⁰ W. Stöhr, "Development From Below: The Bottom-Up and Periphery-Inward Development Paradigm" in Stöhr and Taylor, eds., *Development from Above or Below?*

process is essentially supposed to start at a high (world or national) level (from worldwide or national demand, or from world or national innovation centres) and then filter down and outward to national and regional units through the urban hierarchy¹¹ through input-output relations,¹² through internal channels of multiplant business organizations,¹³ and through the channels of large-scale governmental organizations.¹⁴

These two theoretical hypotheses did not materialize in practice, however. A systematic discussion of all the reasons for this failure would transcend the scope of this paper and therefore only some key reasons will be mentioned here. They are related less to quantitative economic relations (on which neoclassical economics concentrated) but rather to qualitative, structural, and power relations. Among the reasons why the neoclassical equilibrium assumptions did not materialize are the selective nature of the migratory process, the differentiated mobility of specific production factors, the inevitable differentiation of accessibility in a multiregional urban system, the unequal spatial distribution of external and scale economies, etc., which have been described elsewhere by this author.¹⁵ They lead to an increasing divergence rather than to the theoretically assumed convergence of interregional disparities in living levels as a result of the market mechanism.

The second expectation of an automatic "trickling-down" or "centre-down" development process also did not materialize, particularly in developing countries. In effect these trickling processes in most cases did not move "down" (and "outward") but rather "up" (and "inward"). At least four reasons can be given:

- Innovation diffusion is considered an important indicator for the spread of development. While it is true that innovation normally filters "down" and "outward" through the urban hierarchy,¹⁶ the economic and power benefits from it often accrue in inverse order, namely, up and inward through the urban hierarchy.
- Intersectoral propulsion¹⁷ led to a spatial concentration of activity clusters

¹¹ B.J.I. Berry, "Hierarchical Diffusion: The Basis of Development Filtering and Spread in a System of Cities" in N.M. Hansen, ed., *Growth Centres in Regional Economic Development* (New York: The Free Press, 1972).

¹² Perroux, "La notion de pôle de croissance".

¹³ J.R. Lasuen, "Urbanization & Development: The Temporal Interaction between Geographical and Sectoral Clusters", *Urban Studies* 10 (1973): 163-88, and A. Pred, *City Systems in Advanced Economies* (London: Hutchinson, 1977).

¹⁴ Stöhr, "Development From Below".

¹⁵ W. Stöhr, "Evaluation of Some Arguments Against Government Intervention to Influence Territorial Population Distribution" [Paper presented at the Joint UN/UNFPA Workshop on Population Distribution Policies in Development Planning, Bangkok, 1979].

¹⁶ Berry, "Hierarchical Diffusion"; and P.O. Pederson, "Innovation Diffusion within and between National Urban Systems", *Geographical Analysis* 2 (1970): 203-54.

¹⁷ Perroux, "La notion de pôle de croissance".

- rather than to the expected spatial diffusion of propulsive effects.
- Multiplant business organizations, while penetrating peripheral areas easily,¹⁸ tended to concentrate their key functions (decision-making, research and development, etc.) in large metropolitan areas and only relegated low-level routine functions to peripheral areas.¹⁹ The prime developmental benefits of multiplant business organizations therefore usually accrue to centres in which these organizations have their headquarters.
 - In order to spread development, central government expanded its scale of influence compared to that of lower levels of government. While this sometimes materially aided peripheral areas, it eroded their own organizational and decision-making capacity, an important requirement for self-sustained development.

From these shortcomings of the theoretical bases of conventional regional development policies there derive logically a number of operational characteristics which implicitly were to compensate for these shortcomings, in reality however, aggravated them even further. In order to still achieve interregional convergence and to promote trickling-down effects, large-scale functional integration (which had in fact led to these withdrawal effects) was complemented by *large-scale organizational integration* in the hope that it would ultimately bring about the theoretically expected equilibrium and trickling-down effects.

Heavy Reliance on Multiregional or Multinational (Private or Public) Enterprises

Conventional regional development policies confided in the space-bridging capabilities of such enterprises to facilitate through their intraorganizational channels the transfer of development impulses (innovation, capital, organizational talent, etc.) to less developed areas where other public or private transfer channels do not operate sufficiently as yet.²⁰ Apart from the abovementioned fact that these multilocation enterprises usually only delegated low-level routine functions to less developed peripheral areas, these peripheral operations usually also were closed down first in case of declining demand.²¹

¹⁸ Lasuen, "Urbanization & Development".

¹⁹ W. Stöhr and F. Tödtling, "Evaluation of Regional Policies: Experiences in Market & Mixed Economies" in N.M. Hansen, *Human Settlement Systems* (Cambridge, Mass.: Ballinger, 1978).

²⁰ Lasuen, "Urbanization & Development".

²¹ Stöhr and Tödtling, "Evaluation of Regional Policies".

**Heavy Reliance on Large-scale (National and International)
Governmental Organizations**

The reliance on such organizations to provide infrastructure investment and organizational skills for the implementation of projects in less developed areas usually went along with the introduction of centrally determined criteria for the selection and implementation of projects in these areas. These criteria therefore, usually did not take into account the specific factor availabilities, institutional conditions, value systems, existing in the less developed areas, but were coined by conditions obtaining in the highly developed metropolitan areas. This meant that public investment in less developed areas, even where quantitatively substantial, often was qualitatively not in line with the basic requirements of these areas.

In all these respects conventional regional development policies relied on large-scale redistributive mechanisms or on large-scale private or public institutions to diffuse development through space. They can therefore essentially be called "centre-down" regional development strategies.²²

**REGIONAL DISINTEGRATION AS A CONSEQUENCE OF
CONVENTIONAL "CENTRE-DOWN" REGIONAL DEVELOPMENT
POLICIES**

Development is a complex phenomenon. It requires the interaction between natural, economic, social, and political factors and their interrelation through self-sustaining organizational structures. If these organizational structures are not self-sustaining but rather externally imposed, certain quantitative phenomena of development may be created but many of its qualitative and structural requirements will be missing.

While the term "integrated regional development" has often been used verbally, in practice, conventional regional policies signified large-scale "functional" integration rather than regional and "territorial" integration.²³ Instead of improving the mutual interrelation of production factors and other (social, institutional, etc.) development potentials *within* territorial units (territorial integration), they integrated each of these factors vertically into functional large-scale national or international markets (functional integration). Thus, instead of combining regionally available natural resources, labour, savings, technological and organizational capabilities with priority for the satisfaction of regional needs, each of these factors was integrated into the respective national (or international) labour market, capital market, technology market geared by transregional organizational structures. These individual functional markets were interacting

²² Hansen, "Development from Above".

²³ J. Friedmann and C. Weaver, *Territory & Function: The Evolution of Regional Planning* (London: Edward Arnold, 1979).

mainly at the national or international scales but hardly at the regional or local one. In commodity markets, national and international commodity circuits increasingly replaced regional and local circuits.²⁴ Each of these functional markets operates according to its own dynamics and rules determined by national or international parameters, very often overruling specific local or regional requirements. Such "centre-down" regional development strategies based on large-scale functional integration tend to "cream" selected natural, human or other resources from individual regions, thus, optimizing factor returns (particularly of the most mobile factors such as capital and technology) within the above-mentioned large-scale functional markets.²⁵ Although output in this way may grow substantially even in less developed areas (reducing quantitative inter-regional disparities in per capita product or per capita income), the qualitative and structural disintegration of regional socioeconomic systems remains with negative consequences for the long-term overall development and also for the long-term economic growth potential of these regions.

An evaluation of the principal instruments of conventional regional development policies in market and mixed economies has been made.²⁶ Even where quantitative effects of these instruments upon regional production, income or even employment was positive — a rare fact in Third World countries — the effects of qualitative and structural regional disintegration in less developed areas proved to be considerable.

The major phenomena of regional disintegration through "centre-down" regional development policies can be characterized as follows:

1. Withdrawal of selected regional production factors which can more profitably be employed in large-scale (national or international) factor markets, mainly from less developed peripheral regions. For such less developed regions this applies mainly to selected natural resources, labour and savings. The regional multipliers that could be derived are also curtailed with the withdrawal of these resources.
2. Idleness or underemployment of the remaining regional resources — usually the less mobile and less profitable ones in large-scale markets, such as less mobile or less qualified labour, less profitable or less mobile natural resources. Their productivity is usually reduced further by the withdrawal of the complementary more mobile production factors mentioned above.
3. Environmental disruption and disequilibrium in man-environment relations due to the frequent overutilization and withdrawal of selected resources in high worldwide demand (1 above) and the idleness of the remaining ones (2 above).

²⁴ M. Santos, *L'Espace Partagé — les deux circuits de l'économie urbaine des pays sous-développés* (Paris: Th. Genin, Libraires Techniques, 1975).

²⁵ Hansen, "Development from Above".

²⁶ Stöhr and Tödtling, "Evaluation of Regional Policies".

4. Displacement of local/regional economic and environmental circuits (usually providing basic needs accessible to the poorer population strata) by large-scale economic circuits which, at least initially, are accessible to only a small minority of the population.

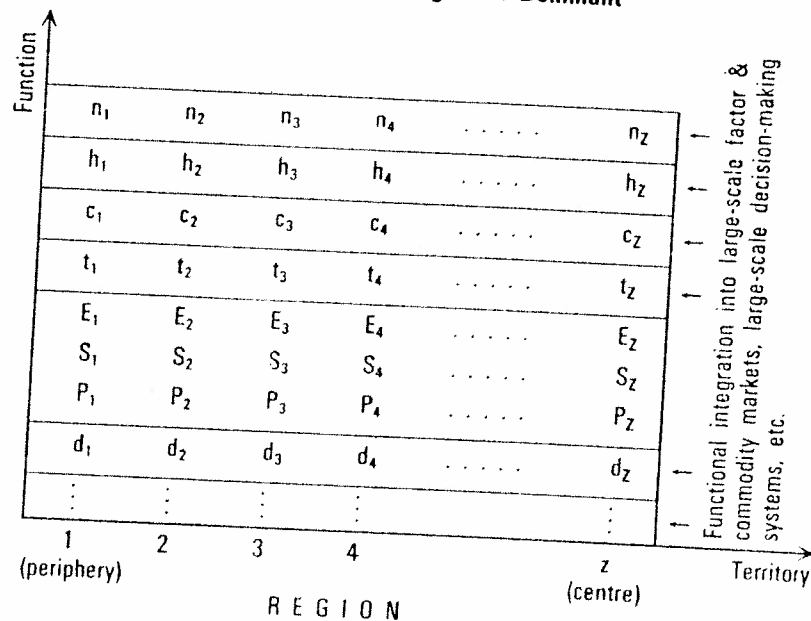
5. Introduction of externally dominated production factors (mainly capital, technology, external organizational forms) into less developed peripheral areas. Thereby, an increasing share of these regions' activities become dependent upon externally steered organizations (e.g. multiregional or multinational enterprises). These externally steered organizations tend to retain key functions (decision-making, research and development, etc.) in highly developed countries or core-regions and relegate low-level and routine functions to less developed peripheral areas.²⁷

6. Disintegration of small and medium-scale social and political structures. These often represent important economic and psychological support systems for overall development, particularly for the poorer and less mobile population strata. Existing small-scale structures, unfortunately, often constitute repressive social environments for the poorer population groups. The question is how these small-scale social structures can be transformed and liberalized instead of being substituted by large-scale societal structures.

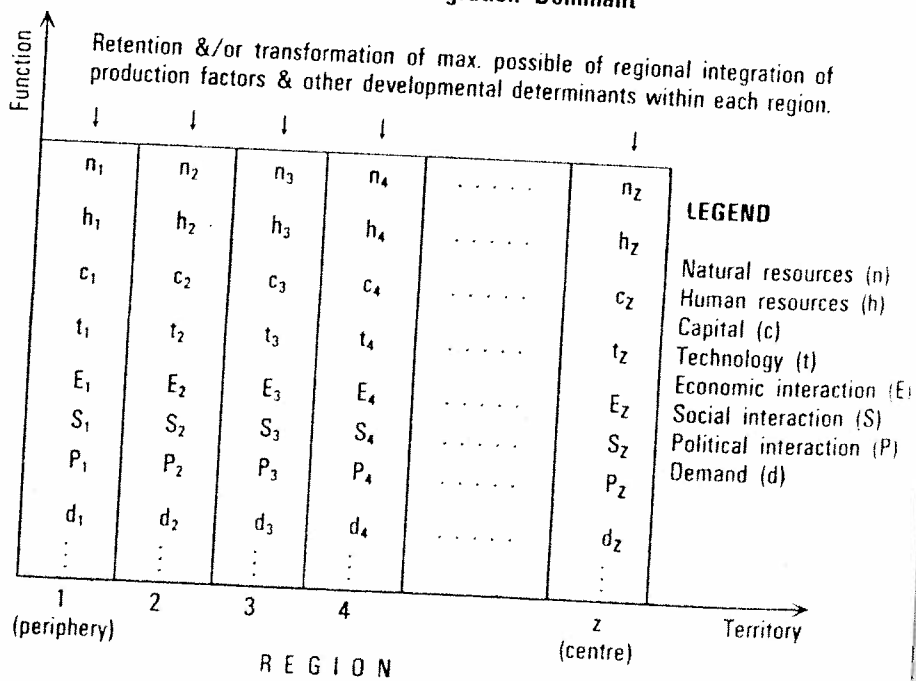
7. The withdrawal of economic resources (1 above), the debilitation of regional economic (2,4,5) and of sociopolitical structures (6 above) makes peripheral regions increasingly dependent upon economic and organizational support from central governments. This dependence is reinforced still further by the introduction in peripheral regions of central — usually core-region determined — decision criteria. This is in spite of the usually markedly different conditions in less developed peripheral areas regarding the available combination of production factors, of value systems, organization forms, etc.

Under these conditions of regional disintegration, less developed peripheral areas (like LDCs at the international scale) are forced to compete with more developed areas by offering their abundant resources (mainly natural resources and labour) under practically any condition in order to gain monetary income. In exchange, they receive public transfers (at the international scale: development aid), capital investment and technology transfers. These transfers, however, usually do not contribute towards reintegrating and more fully mobilizing all production factors available in the region, but rather reinforce their regional disintegration by promoting the use of those factors for which there is demand in the respective large-scale (national and international) factor markets mentioned above, while neglecting the remaining resources.

Figure 9-1
Development "From Above":
Functional Integration Dominant



Development "From Below":
Territorial Integration Dominant



TOWARDS "ANOTHER" TERRITORIALLY INTEGRATED REGIONAL DEVELOPMENT "FROM BELOW"?

In order to avoid this disintegration of regional development potentials caused by policies of large-scale functional integration aiming at the maximization of returns to selected production factors at large (international or national) scales, the objective of "another" regional development strategy would be to increase the overall efficiency of all production factors of the respective region in a territorially integrated form. This integration of territorially available resources, together with the mobilization of territorially organized social and political structures should become the basis for more endogenously initiated development impulses "from below".²⁸ Such endogenously initiated development would need to be oriented at first towards the equal satisfaction of the basic needs of all strata of the population of less developed areas and subsequently for developmental objectives beyond this. Most basic needs services are territorially organized and manifest themselves most intensely at the level of small-scale social groups and local or regional communities. Development "from below" therefore requires that the greater part of the surplus created through successive specialization of territorially contiguous activities be invested regionally for the diversification of the regional economy.

By region we mean the smallest territorial unit above the rural village where the respective activities are still feasible ("Agropolitan districts").²⁹ This process is then expected to occur also at successively higher scales. Through the regional retention of at least part of the surplus created, integrated economic circuits within less developed regions would be promoted³⁰ and development impulses would be expected to successively pass "upward" from the local through the regional to the national level, etc. Policy emphasis (distinct from centre-down strategies), therefore, will need to be oriented towards: territorially organized basic needs services, rural and village development, labour-intensive activities, small and medium size projects, technology which permits the full employment of regional human, natural and institutional resources on a territorially integrated basis.³¹ There are many parallels to the concepts of self-reliant development at the international scale, discussed presently in connection with the New International Economic Order.

Such a regional development strategy "from below" would have to aim at

²⁷ Ibid.

²⁸ Stöhr, "Development From Below".

²⁹ J. Friedmann and M. Douglass, "Agropolitan Development: Towards a New Strategy for Regional Planning in Asia" in Fu-chen Lo and K. Salih, eds., *Growth Pole Strategy and Regional Development Policy* (Oxford: Pergamon Press, 1978).

³⁰ D. Senghaas, *Weltwirtschaftsordnung und Entwicklungspolitik, Plädoyer für Dissoziation* (Frankfurt, Main: Suhrkamp, 1975); and Santos, *L'Espace Partagé*.

³¹ Stöhr, "Evaluation of Some Arguments Against Government Intervention".

reintegrating to a maximum possible regionally available economic, environmental, social, and political resources. It may therefore have to contain certain elements of "selective spatial closure"³² in order to counteract those effects of the "autonomous" operation of large-scale functionally organized markets which reduce the development potential of less developed areas. This would in particular mean facilitating the retention of production factors needed for the own development of the respective region and reducing transfers from outside which debilitate the regions' medium or long-term development potential.

In concrete terms this would imply:

1. The reintegration of the natural and human resources of the region by providing broad and equal access to land and other natural resources for all strata of the regional population. Only after this requirement has been fulfilled, resources should be handed over for limited exploitation to extraregional owners. The provision of broad access to land in many cases may require a regional emphasis on land reform. This appears as an important prerequisite for equalizing the regions' income distribution, for achieving broad effective demand for basic services, and for the creation of broad regional decision-making structures.³³

2. The reintegration of regional supply and regional demand by promoting the development of local and regional economic circuits. This requires that priority be given to the employment of regional resources for the satisfaction of regional basic needs (food, shelter, basic services, etc.) according to priorities defined by the regional population, and for the promotion of region-serving activities.

3. The reintegration of local and regional decision-making functions on the use of regional resources. This will require the strengthening of existing or the introduction of new territorially organized decision-making structures with broad communal access. Such territorially organized communal decision-making structures should also be applied to the processing of regional resources, to the application of surplus generated from them, and to the level of technology applied.³⁴

4. Application of regionally adapted technology facilitating the full employment of regional human, economic and institutional resources. Such technology should maximize the use of regionally abundant and minimize the waste of regionally scarce resources. For less developed peripheral regions technology will usually have to be labour-intensive, save capital, be adapted to the learning capability of the regional population, permit self-help and be adapted to regional cultural patterns and value systems. The choice of technology should be made in accord with communal regional decision-making structures.

³² Stöhr and Tödtling, "Spatial Equity".

³³ Stöhr, "Development From Below".

³⁴ D. Goulet, "Development as Liberation: Policy Lessons from Case Studies", *Dossier* 3 (1979).

5. Retention or re-establishment of man-environment balances in the region. This requires priority to be given to the mobilization of renewable and the recuperation and preservation of nonrenewable regional resources as a major basis of the long-term regional development potential, particularly of peripheral areas.

6. Reintegration of the regional transport and communications network. Particularly if these networks have a predominant external orientation — as in most less developed regions and countries — priority should be given to maximizing intra-regional accessibility. This would mean that with priority rural-to-village and village-to-small-town accessibility should be improved rather than the conventional priority given to rural-to-large-city accessibility. Such a policy would "from below": (a) increase commodity and service markets within less developed peripheral areas and thereby improve their potential service levels, (b) increase and diversify labour and other factor markets thereby reducing production costs in peripheral areas, and as a consequence, (c) facilitate increased processing, purchasing and marketing activities in peripheral areas and improve further the conditions for the realization of points 1 to 3 above.

7. Motivation of local and regional communities to give priority to the mobilization of their own resources for the satisfaction of their own basic needs, rather than the present almost exclusive priority given to export production of staple commodities.

8. Increase the negotiating capability of regional and local communities vis-a-vis multiregional and multinational enterprises and vis-a-vis the central government.

CONCLUDING REMARKS

The implementation of such alternative regional policies would require certain institutional changes, particularly the strengthening of territorially defined organizations at the regional and local levels instead of the strengthening of functionally defined ones such as sectoral ministries or multinational enterprises. Apart from this however, such alternative policies would also require a different type of training of regional planners, emphasizing methods for integrated resource mobilization rather than the present emphasis on optimization techniques. This may well be an important topic for further discussion in international training institutions such as UNCRD.