

## **Territorial Identity and Regionalization**

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*The territorial correspondence of economics - as an object of research - still is not in focus in many countries. Centre and periphery as territorial units strongly cohere, whereas we have to state that periphery can be identified as the key to rural development. The rural development processes should also be based on equality, meaning that both centre and periphery should get a share from the positive impacts. In our paper we analyze the territorial concentration - and deconcentration - and their root causes based on different factor groups. Aim of our analysis is to define and understand the spatial concentration and to introduce the key theoretical background. This approach also faces regional identity from the perspective of its relation to competitiveness, and examines the background of the formation of regional co-operation proven by secondary literature. In our paper we understand the theoretical background of regional concentration in its coherency, amended with the development- stimulating effect of competition and co-operation.*

### *Theoretical background of regional concentration*

The geographical repartition of development alternatives is very different, which leads to well developed and under developed territories, among which a unique centre- periphery relation can be observed. The research of the spatial coherence of economy did not belong to the mainstream of the international scientific economics until the end of the 1990s, in Hungary it still does not belong to the key investigated areas (Farágó, 2012). According to Krugman (1991) increasing returns to scale can be seen as microeconomic and as regional and local notions at the same time. This also confirms and justifies the presence of regional sciences as part of scientific economics.

From Faragó's (2012) point of view centre and periphery as territorial units strongly cohere, whereas we have to state that periphery can be identified as the key to rural development. The rural development processes should also be based on equality, meaning that both centre and periphery should get a share from the positive impacts. With the adequate identification of the forces influencing and motoring territorial concentration, the political interventions believed to be necessary can be avoided.

The definition based on Faragó's (2012) simplified and formulated explanation is, that as a tendency it can be stated that people move to the cities, to the metropolitan regions, because the possibility of employment is

much higher there, the range of products and services is wider, and many other attractive things are also available, which are not existing in the country. The reason why businesses get concentrated in the cities is that the market there is bigger and the workforce-supply both in value and quality is higher. Starting from Say's law the settlement of many businesses in one specific place (e.g. city) sets partly, - or in case of those producing for the local market only, totally – their own market (Faragó, 2012). In point of regional concentration we can define four factor groups:

- a) external economies of scale of production, or else positive externality, which improves with the regional concentration and/or site selection of businesses, just like their competitiveness. This all leads to macroeconomic advantages (Lengyel & Rechnitzer, 2009).
- b) the improvement of the internal economies of scale with the volume of production and the increasing returns to scale, which can also be bound to the growth and specialization of companies (Krugman, 2003).
- c) the importance of the shipping expenses also is a key factor. The lifting of the factors limiting spatial mobility leads to unified markets and relatively decreased shipping expenses due to the fact that the mentioned items do not weaken, but rather even more strengthen the relation between centre and periphery (Faragó 2012).
- d) also an important factor is the local advantages generated by the status quo, because the already evolved local advantage and already available capacities of the existing centres are also in competitive advantage (Barabási, 2003; Florida, 2008).

It is also necessary to analyze the case when regional concentration tones down. This phenomena can be bound to the increase of urban unemployment and the lowering of the earnings, base of which is the lack of follow-up harmony of the processes people moving to towns, and the growth trend of workplaces and the group of supplementary investments (Faragó 2012).

### *Agglomeration advantages*

In the dynamic areas, cities, and in the well-developed regions the rate of wages/productivity is much higher than in the relation of periphery/land. This is based on the higher level and quality of infrastructure, advanced culture of production and agglomeration advantages. Companies rarely choose places for their settlement in such areas and regions where workforce and co-operating partners are hard to find. Still we cannot oversee the fact the companies are unlikely to concentrate into the primary towns after a certain level has been reached. The reason for this is that also for them it is a key factor to reach the markets further off still economically. Besides this also those alternatives get overshadowed where the negative effects of the situation being over-urbanized are higher, than then the agglomeration advantages one can obtain (Faragó, 2012).

In this respect we speak about agglomeration advantages, if we have sufficient infrastructure, the network of interactions between the suppliers and

the buyers is consistent, if we have a larger number of specific labor available on site, and if other local external impacts decrease the costs of the companies, and in some cases increase their income (Lengyel & Szanyi, 2011).

Marshall's (1890/1920) theory about the choice of settlement sites declares that if at the same time different companies concentrate on one specific site, than the threat of unemployment is much lower whereas the quality of labor supply is higher and the spillover effect is positive.

Among the agglomeration advantages we believe to be important to mention the so called urbanization advantages, or else urbanization des economies. These are such agglomeration advantages, which are cost savings arising from the economic activities concentrated on urban areas. In great majority they originate from the number of urban inhabitants and/or the the size of the city. This way the big local market/labor market, the vocational training stemming from this, the specialization, the closeness of banks, the improved communicational background, the high-standard infrastructure can be counted to urbanization advantages, although we also have to state that after a certain size of town urbanization disadvantages also come alive (Lengyel & Rechnitzer, 2009a).

At this point we again emphasize Marshall's (1890/1920) point of view, saying that the concentrated market also defines more advantages for the producers, as if there are more of them, than more suppliers are attracted into the given region, this way they can get the necessary services cheaper, which makes for them possible to exploit the advantages arising from the co-operation.

The agglomeration advantages can be partly or completely compensated with the cheaper workforce. The recognized leading MNEs use in first row the results of already existing international developments, therefore they do not get avail of the new knowledge on site mainly. They than become the source of knowledge, which can initiate advancement at the given place. It must also be kept in mind that in this knowledge-led economy the transfer of knowledge itself and the development of technologies also play an important role. Through supporting the transfer activities related to this the individual companies can get avail of new agglomeration advantages also. Therefore we must be aware of the fact that without the presence of the active population being in possession of the appropriate knowledge and/or profession, in the eyes of the capital owners the attraction of the given region will decrease (Faragó 2012).

### *Advantages arising from the economies of scale, the improving alternatives of mobility and the local advantage*

The rise of importance of the internal economies of scale further strengthens concentration and the already existing centre- periphery relation (Krugman 1991). We can observe that certain places or regions nowadays already try to merchandise with each other based on the economies of scale. De decreasing, but still existing costs of shipment and the economies of scale motivate the producers to direct their production towards the big markets, as this way they get easier and simpler chances (Faragó, 2012).

When talking about the issue of mobility, we can state that the elimination of obstacles and the fomentation of the mobility of capital and workforce between the national markets leads to the concentration of the economic activities (Krugman, 2003).

Examining the theories related to shipping expenses, we find that the stick of expenses above a certain level may assist to polycentricity, the further decrease of which strengthens concentration. The process favors all of those involved only in that case, if it starts to converge to zero. Based on this we can state that the already existing regional and productional concentration, the shrinking of the shipment expenses and the growing returns to scale further strengthen and enhance concentration (Faragó, 2012).

We also need to say a few words about the local advantages and the path dependency. The development of the cities and the regions are exposed to a sort of path dependency. This means that their already evolved status quo has an effect on their later starting point of competition condition and their makings. Therefore the bigger, multifunctional supplier cities have an advantage and will retain their advantage against the smaller ones, for example in case of infrastructure. This also influences the chances of building relationships, as those big city nodes where many institutions of key importance are on site have a much more preferential position of building relationships. All this proves the *raison d'être* of the establishment of polycentric networks (Faragó, 2012).

### *Utilization of the advantages arising from the regional concentration and the attitude of the regional actors*

To the evolvement of all these advantages it is not enough to evaluate the phenomenon of regional concentration based on the materializing experience merely. The co-operation and rivalism of the regional actors, or even the balance of the two can be crucial in the utilization of the advantages, or if they are missing in the slowing down of the favorable processes. In the comparison of cultures the relation to co-operation and rivalism is interesting in relation to development, based on two different, but still combinable approaches.

If we take the regional development and generation into consideration, than we see that co-operation and rivalism required a sort of harmony in all development periods, but the researchers paid less attention in the past times to the necessity of their balance, which only changed with the start of the analyzes of one of the most advanced organizations of city networks, that of the clusters. Hassink and Klaerding (2011) clearly state, that to achieve continuous sustainable development in a region with the help of innovation, it is harmful to protect an organization - based on resources giving its advantages - operating in that particular region from the competition.

At the same time in the networking process it is unavoidable to let co-operations come alive on as many dimensions as possible, to which it is necessary to take the common needs of the acting companies in that particular region into consideration and not only the individual interests of the companies. According to Lengyel (2010) if the attitude of the actors moves rather towards the direction of rivalry, than the task of the development agencies coordinating

the co-operation within the clusters will be to reroute the direction of the attitudes towards co-operation.

### *The formation of regional co-operation*

This instrumental interdependency plays key role in the formation of networking in case of the industrial clusters appearing in the given region, which leads to instability from both the city's/region's and the given central corporation's point of view if they get part only in some part-tasks of the supply chains instead of the instrumental interlocking of the local actors, or if they only are bound to the deploying company and they define one structure of co-operation based on this (Barbour & Markusen, 2007).

In the competition fought for regional autonomy the system shifts towards imbalance not only because of the nature of the phenomenon itself, but it is also a tool of acquisition of the power that some political groups set up national consciousness and the pointing of conflicts (Bajtay, 2001). If the targets are the regions or the network of co-operating cities within the region, than the role of both the local and the regional conscience of oneness and their parallel - each other not dousing – excitation increases its value. If at this co-operational network the individual identity of the particular regions - which is often interwoven with pursuit of power - forges ahead, and this way it gets the key barrier of the establishment of the network, than communication can reinstate the competition if it puts focus on another arc of city network, in particular focus on that special attention, which at all hazards intends to place itself compared to something (e.g. another city) due to the dislocation of tensivity caused by ambitions of autonomy.

We can see a lot of international examples in the co-operation of cities and regions and the formation of clusters for example the Silicon valley in the USA, or Baden-Württemberg in Germany, whereas at the same time in Hungary such attempts have failed despite frequent endeavors (Lengyel, 2010). This happened despite of the fact that already before the transition period in Hungary professional studies were published and also first test were done to work out the institutional and legal frames of the co-operation of city networks, but the short term interests of the local elite have won, and the co-operation got defeated despite the professional arguments (Kőszegfalvi, 2013; Somlyódyné, 2011). Studies have also been written related to the conditions necessary for networking in Europe and especially in Hungary in case of locally organized networks (Kovách et al., 2009).

## *Regional identity from the perspective of its relation to competitiveness*

The collaboration and solidarity appearing in the bottom-up organized networks is according to Coleman (1998) an important base for social capital. Taking such examples where the culture of networking got a foothold, than it is not mistaken to detect solidarity, but this is not the result of a moral, but much more another incubation. In this incubation we can find many different ideas within the development of the relation towards co-operation and competition than in the development of morality.

Based on the game theory by Mérő (1996) co-operation can also come alive on an egoist platform, where actually competition is the other important factor. In this case it can be very important to analyze whether if in relation to co-operation and competition there are any cultural distinctions between people, workers and the management. Fülöp (1999) has found interesting elements in the comparison of cultures. In the competition the perception of the adverse party differs in Japan, in the USA and in Hungary in the following. For a Japanese the opponent is the tool to get a better person during the competition. According to Mérő (2005) for a Japanese it is natural in a game, that the stronger/better player gives the opponent an advantage at the beginning of the game in order to ensure that the actual competition can remain exciting for both parties, as the condition to be able to make a progress for both of them can only be assured this way. Among the Americans the opponent is the benchmark with the help of whom one can find his/her place.

In Western Europe Fülöp has detected the above mentioned feeling of solidarity towards the adversary, but here it rather means the solidarity towards the defeated one, and therefore gets a useful moral sounding. In his research the Hungarian findings show that the aim to defeat the opponent gets an unequally high emphasis in the opponent's perception. In this attitude society puts emphasis on the zero game where it is hard to accent solidarity. Solidarity gets much more acquainted with the context that in the games not targeting zero everyone can win, and in long term much more, than in short term with a zero game.

In the game theoretical researches of Axelrod and Hamilton (1981) he analyzed that in cases where someone can benefit from both co-operation and the competition as well, than what is the best strategy to reach the best possible profit, and as a tool of this to set off co-operation in the biggest part. Now knowing Axelrod's and Hamilton's results and the recommended strategy of Mérő based on his game theory, we can see that the accentuation of solidarity can only be dangerous in such cases where competition can bring big win situations, as in such cases solidarity means weakness, and evokes exploitation.

The hope of even bigger profit can keep up the platform of competition and can raise competition together with the co-operation to next level regionally, or only in the competition fight between companies. This can be completed with the results of Komlósi (2013) who has analyzed the necessary factors for a region on the fields of co-operation, activity, and innovation. Her findings show that one region's attitude can be fastest and with the least energy changed

towards co-operational intention - which already seems to be a cultural change - if at first positive results get generated by two, maximum three participants which then gets stabilized and then step by step do new members enter. After reaching a critical mass this way, those who decide to stay out of the co-operation drop out of a new type of competition and can only guard the competitive advantage of a small group. This very same critical mass is emphasized by Lengyel (2010) upon stimulating the organization of clusters, although he believes this to be a quantitative question, and thinks any investment remuneratory when this is given.

## Conclusion

In our paper we have analyzed territorial identity and regionalization from different perspectives. The research of the spatial coherence of economy did not belong to the mainstream of the international scientific economics for a long time, but researchers nowadays already give it the necessary focus. The agglomeration and urbanization advantages, networking activities all play a key role in understanding and defining the current processes in regionalization. Also a key issue is the co-operation and rivalism (or competition) of the regional actors, as their behavior directly influences the outcome and the future of the affected regions or companies.

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