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# Preface

The first decade of the 21st century is ending with a very serious economic and financial crisis that has enveloped the developed economies in a great recession and has provoked a strong contraction in the growth rates of emerging and developing economies. Productive activity has been seriously affected by industrial and service firm shut-downs, a decrease in both domestic and foreign demand, and a rising unemployment rate. Because of this, sustainable development continues to be a vital question in all countries seeking to achieve fundamental objectives such as increased productivity, job creation, eradication of poverty, and the improvement of economic and social well-being.

Since the late 1980s, the change in the political scenario — symbolically represented by the fall of the Berlin Wall in 1989 — has accelerated the integration of the international economic system. The introduction of new technologies has given way to the appearance of new goods and services and new productive processes, has facilitated changes in firm organization (now more flexible and integrated within the territory), and has altered the firm location pattern. In turn, the introduction of new technologies in the transport and communication systems has facilitated the articulation of national and international markets, has stimulated exchange and commercial relations between firms and territories, and has transformed the spatial organization of development.

Thus, the economy is continuously evolving and transforming, and the introduction of new technologies fosters the spatial re-organization of production and markets. New city networks, new forms of organization of the urban systems, and new places where the

investment and location decisions are made are emerging. Institutional development facilitates these changes, and many countries have introduced a political and administrative decentralization process that allows cities and regions to acquire new competences in the regulation of the international division of labor. In this atmosphere of growing economic integration, changes in the spatial organization of production, and institutional development, there emerges a demand for a new development policy, in whose design and implementation the local actors and civil society actively participate.

New activities, the economic diversity of the territories, and the emergence of local development initiatives begun in the early 1980s have defined a new scenario. This book considers development as a territorial process of growth and structural change in which the local actors and communities are committed, and proposes the theory and practice of endogenous development. It argues that this approach is an interpretation capable of analyzing the ongoing dynamic and the economic changes, and is a valid instrument for action in a context of continuous economic, organizational, technological, political, and institutional change.

The book begins with a discussion on globalization, productive and territorial diversity, and economic and social inequality, and the question of economic recession in the new scenario is described. It argues that the focus of the discussion lies in the understanding of the development process, which is a concept that has evolved through time. The new reality calls for a view that goes beyond the standard neoclassical model, and that explains growth by focusing on resource endowment and technology. Following this, the book develops its premise based on the concept of endogenous development, which is an interpretation of the economic dynamic based on the dynamics and interactions of the forces of development.

The central part of the book analyzes the dynamics of the economic development process in environments that are increasingly competitive and characterized by greater economic integration. It argues that territorial development is a systemic process in which the most flexible forms of organization of the production systems

combine with the formation of polycentric urban region systems and the strengthening of regional innovation systems. The interaction between the forces of development creates synergies between the factors and forces of development and reinforces the effect of each of them on productivity, and makes the development process of cities, regions, and nations more efficient. Therefore, the interaction of the productive systems, the urban systems, and the innovation systems stimulates the generation of increasing returns, improves the productivity and competitiveness of firms and territories, and contributes towards economic and social progress.

The spontaneous appearance of local development policies in cities and regions of Asia and Latin America raises the question of a new development policy. During the last three decades, the economic reality has changed: the organization of companies is more flexible; value chains are becoming global; cities in polycentric urban regions of different countries are establishing connections; and innovation is encompassing business services, financial services, and cultural arts industries. All of this has led to a change in the theories and interpretations of development, abandoning the neoclassical market fundamentalism and instead adopting a more complex interpretation known as the territorial development approach. The new reality, the new processes, and the new interpretations call for an efficient development policy that is capable of using the local development potential of places and territories, as occurs in territorial development policies.

Territorial development policy is a policy with multiple objectives, and its actions are directed at improving the competitiveness of cities and regions and supporting sustainable social progress. This policy favors the convergence of governmental and market actions by coordinating public and private actors who are involved in the process of development. The book ends with a discussion on the general guidelines of the territorial development policy; and maintains that it is a useful policy precisely for activating the mechanisms and forces of endogenous development and for encouraging economic recovery in times of crisis, and should be designed and implemented by private and public actors and the local community.

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