

Endogenous Development in a Region

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1. Introduction

“Endogenous development” is a phrase with very beautiful sound. Many people have been charmed by the phrase. It is a way of thinking that was submitted when there may be a method of the development that kept Japanese peculiar tradition and culture for high growth in Japan in 1970's. However, the concrete mechanism and structure of the endogenous development cannot necessarily have been made clear.

Endogenous development theory of 1970's was, so to speak, a kind of thought, but in late years endogenous development is thought to be policy means of local development. However, which region and what mechanism should be pointed out as a phenomenon “endogenous development? Is it an ideal type where endogenous development does not exist in fact? It is necessary to do the concrete argument that was tied to real local development. It does not seem that it is argued enough how endogenous development performs a phenomenon in context of the real local development.

In this article, as a first we argue that endogenous development performs occurrence what kind of condition is necessary. Technical progress and innovation and that at least the productivity should be improved. For a second what is necessary so that innovation is realized practically in a region. Furthermore, in context of the real regional development, we want to think about which region meets such a condition.

Recently the phrase “local activation” or “local reactivation” is used routinely in Japan, but the meaning of the phrases is not necessarily clear. We will use the phrase “local economic growth” and “economic development in a region” to think about local development in a longer-term point of view here.

2. Discussions on Endogenous Development

Kazuko Tsurumi and Jun Nishikawa proposed an endogenous development theory from a study of Kumagusu Minakata and Kunio Yanagida in the Meiji era and the economic development in Asia and in Japan in the middle of 1970's. They want to show various orbits of the economic development and insisted on an ideal method of the economic development unlike the modernization that Europe and America experienced. They showed the importance of the original culture in a region and the economic development that assumed tradition resources. Japan pushed on by high growth of 1970's, and there was implication called the criticism for pollution or the city problem with the economic growth in a spontaneous development theory. Therefore, a region should utilize the original local resources, and the economic developing theory and mechanism were not really talked about.

The importance of the endogenous development has been emphasized in the arguments on the recent industrial accumulation and regional economy. The concept corresponding to endogenous development is the development of the departure from outside, but the concrete content of the exogenous development is economic development by company invitation and investment from the outside. In reality, it is hard to think about the local exogenous development-type now in the developed country. It is important how endogenous development is realized as local policy by the government.

Then under what kind of mechanism will endogenous development be realized in? The economic development is not a simple economic phenomenon, but a phenomenon with the change of society and culture. The economic development is not limited to the aspect of economic phenomenon, and it is the concept including the content of society and the culture. We pay attention to economic growth, and the economic development cannot go ahead through the argument without economic growth. Economic growth is concentrated on the purely economic side such as the rise of GDP and the income. However, the economic growth is regarded as one of the requirements for economic development. Generally speaking, we cannot talk about the economic development without economic growth. Then how will the economic growth be enabled? Needless to say, economic growth is increase of the total added

value that a certain region produced for the period of time such as one year.

The increase of economical resources is necessary so that a certain economy grows up. In other words, it is increase of the working population, capital equipments or / and the land. As for the expansion of the country, worker or capital equipments or they must usually increase substantially at the same time because they are impossible. However, produced total added value should increase even if the number of the workers and capital equipments do not increase with the absolute number. In other words, economic growth is possible if labor productivity (the number of amount of added value \div workers) or capital productivity (amount of added value \div capital facilities) is improved.

Capital productivity does not largely increase without the investment in new capital investments. How will the labor productivity be improved? Labor productivity rises whether the amount of added value to produce increases, or whether the time which it is spent on production again decreases from a definition. That means that innovation happens somewhere in a production process, the distribution, or the retail to consumers. As Schumpeter wrote, this is not confined to innovation of the manufacturing technique. At all events, without improvement of the productivity with the innovation, the economic growth is not realized practically.

Therefore, for the local endogenous development, it means that innovation to improve some kind of productivity plays an important part. On the contrary, the local endogenous development is not possible without innovation. What kind of mechanism will be possible for local reproduction without the innovation and local activation? That is why in late years local innovation is EU, and it is argued as a big problem.

How will the innovation in the area perform occurrence in concrete context? In the area that a company accumulates in the local area called industrial accumulation and an industrial cluster, it is endogenous development that the innovation in the company, innovation between companies or the innovation in the area increases the amount of local added value to produce. Even if local industry is the agriculture, forestry, marine products

industry, it is endogenous development that the value-added which a region produces by some kind of innovation increase. It is innovation to be concerned with the circulation and the market so that Schumpeter who does not have to relate to a technique as for the innovation refers to it, and it may be the “new combination” of the existing technologies.

If a local area that assumes the agriculture and forestry marine products transfers secondary industry to process the product, it is excellent regional innovation. If the shift succeeds from the agriculture and forestry marine products industry to the tourism industry, this is local innovation. Needless to say, in the agriculture, forestry or marine products industry, the introduction of innovation will raise productivity. The phenomenon that such an innovation appears from the local inside is endogenous development.

What conditions will be necessary so that local innovation appears? Local innovation is one-shot, and local industrial competitiveness will be lost immediately if it is an art once, and there is not endogenous development. It will be the state of endogenous development that local industry improves productivity continuously. It is endogenous development to repeat innovation continuously while this is not merely a problem whether there are convincing regional resources, and competing with the industry of other regions while utilizing local resources.

3. What are Regional Resources?

Generally, it is said that finding out local resources are necessary for local activation and reactivation. Then what will the local resources be? Local resources have a natural resource, a historic building, cultural heritage, industrial heritages etc. There are a few examples that can become the local industry only in existing regional resources.

It is a person that develops various materials existing in the region into resources. The region where there were tourist attractions to be in excess like Kyoto was an exception, Switzerland was mountains area and was known as a poor country until just 100 years ago. By a soft know-how and

an expert of the sightseeing with promotion skill and the hardware infrastructure such as cable cars have developed nature into resources.

On the other hand, even the leaves of water, the tree or a stone of the roadside can become the local resources. No materials are local resources in themselves. A human being develops them into resources. Every thing which exists locally in this sense is the material of local resources. The talented person that can develop the materials into resources is the valuable resource. Any industry might be formed if we recruit even talented people in the evidence.

"Irodori"(1) in Kamikatsu-cho of Tokushima succeeds in the business that developed leaves into resources. The leaves such as colored leaves are available anywhere among Japan freely. To see success of the "Irodori", there were the regions that entered the leaf business, but did not necessarily succeed in competition with "Irodori". It means that the founder of "Irodori" has made ends meet as a business of the elderly person in mountains area. He motivated old women and men in mountains area and induced to participate in the business positively and has formed a regional network so that some of them earn high income of 10 million yen. In addition, as for the biggest reason of the success, the ability and the effort of Mr. Yokoishi built this business. It seems that Mr. Yokoishi and old people as talented persons developed a leaf into resources.

On the other hand, it is not necessarily true that a region blessed with rich local resources might succeed in activation. For example, marine products are fished anywhere at the coast of Japan. Even if there are a lot of local resources of marine products, the region does not succeed in local activation. Even if it is an area facing the abundant fishing ground, it is not easy to have competitiveness as a regional industry. Productivity of the fishery of Norway is approximately 4 times in Japan. This reason does not have a fishery resource by 4 times and a Norwegian fisherman is superior in a fishery technology.

In Ama-cho of Oki attracting attention, young persons develop marine products from next to next using raw materials recently. This is because

able youths with high educational background has come here from the outside and struggled with product development. They have developed materials into local resources by building the organization and network. Unless even rich materials are not developed into resources, they cannot be utilized. They do not become the local resources. Rather the talented persons that can utilize materials are the only local resources.

Some regions cannot utilize the person who moved from the outside as a talented person. There are a lot of examples that the new inhabitants who moved to the villa place are hostile to old inhabitants, and can hardly communicate with each other. As for the retired employees and the villa inhabitants themselves are resources. It is said that it was the villa resident who moved from Germany and the U.K. to have opened up the overseas market of the made-in-Italy product in Italy.

In Hamamatsu-shi many companies were borne including Honda and Suzuki, but most of industrialists who started up their companies here are strangers. The region like the Silicon Valley does not need to say, but the region that can utilize a talented person regardless of the local inside and outside without discrimination might cause more innovations than with discrimination. At least the community of area has openness, and generosity to accept able talented persons is important. The ultimate local resources are talented people.

Every thing existing in the region has a possibility to become local resources. It may be realized through the hand of the person to develop materials into real resources. Therefore, it is necessary to educate or train talented people developing material into resources, so that a region performs endogenous development. A region educates its people and brings it up to pool the talented person who can conjugate or it must invite it from the local outside.

4. Endogenous Development Model

Besides the market mechanism, local community, tradition, sense of values, the social capital take an important role, so that a factor of society

and the culture is concerned. The continuous innovation and the improvement of productivity need become a kind of "atmosphere", culture, the sense of values. In Kamikatsu-cho, an elderly person expects the leaf which seems to sell to a high price in the future, and it is said that he plants some kind of tree which leaf will be sold with high price. Culture of the investment for the future is born.

A talented person as a leader is important to exploit resources using the local materials, but it is important that he makes local people a talented person as much as possible. A talented person will be sharing "atmosphere". In case of "Irodori", most of elderly people became the talented persons.

However, it is necessary for the local industry to cope with global competition by all means. The local industry must continuously generate innovation in this sense. They seem to be the human resources that can win in competition. A network with the outside world is important as well as a talented person in the local inside. Anyway, it is desirable to connect with various talented people. Like Obuse-machi and Ama-cho, the local government has seemingly promoted to enlarge the network with the outside and invite talented persons consciously in the region, thinking to be a model of the endogenous development.

We take an example of a hot spring sightseeing spot called Atami. Atami was the sightseeing spot which succeeded by receiving a big group, but the needs of tourists have changed and Atami was not able to cope with families and small group trips. The problem is the persons concerned who do not provide customers with the proper services, but is not the existence of a "hard" to correspond to a great number of people such as a grand hall and the large bathhouse. Many hotelkeepers, employees and promotion people in charge are not able to understand it how they should cope with a tourist in search of small various taste. A talented person must switch the way of thinking so that Atami supports needs. The remedial education of the talented person who is resources will be required. It is necessary that talented persons causing innovation in this area invited.

The typical model of the endogenous development accumulates a university and a research institute in an area, and it brings about the results of research, and to continue innovations. There are a lot of areas that a superior university becomes the nucleus of a small city like in both U.S.A. and the Europe, and they can support the local industry. The regional policy that promotes continuous innovation is important to the model of the endogenous development to get together.

5. Final Remarks

Market information, technology, the know-how etc. are indispensable for the source of innovation so that endogenous development continues, but it is a talented person to carry it. A region does not have to have every talented person in the local inside, and there should be a talented person having a network with the outside.

Recently youths moved to Ama-cho from the outside. It will be because there is charm to settle down in. The local government has a strategy and a clear plan for the future. Some strategies are necessary for endogenous development, and it is also necessary for the local government to have an ability of taking it.

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