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## DEFINING REGION

*Regional studies are right in the center of scientific and political discourse at the moment; regional issues acquire special significance in the countries with a transition economy. However, there is still no clear definition of the term "region". Due to its multifaceted nature, it certainly has natural, cultural, economic, political, and social dimension. At the same time, this term occupies a wide range of phenomena from small parts of countries to huge continental interstate formations. The goal of this paper is the analysis of various theoretical and methodological approaches to the definition of the region. We have brought different approaches, from the classical school to the New Economic Geography. The latter considers the region as a unit of space for economic activities. Thus, the region becomes a multidisciplinary object of research within the framework of economic theory and economic geography. In Europe, the integration processes put the region on the forefront of economic policy. The issues of regional policy are equally important in the light of the economic modernization processes taking place in Russia and Serbia. This article also summarizes the experience of regional studies of Serbian and Russian schools. The results can be used in further theoretical and applied research, writing theses in the field of economics and economic geography.*

**Keywords:** region, regional studies, Russia, Serbia

### Introduction

Regional economy as a science emerged in the 60s of the last century in the United States and Western Europe simultaneously (although in Western science the term "regional studies" is more often used, which emphasizes the interdisciplinary nature of research). In the new century, regional research has attracted increased interest from the scientific community and government agencies around the world. It is the region that has become the main subject of economic development (for example, "Europe of Regions").

In Russia, the regional economy is a fairly young science, because in the USSR it was, in fact, part of economic geography and was engaged exclusively in the location of productive forces. Practically the same in the case of Serbia. However, with the transition to a market economy in the 1990s, when disparities in regional development were exposed, interest in regional economic research also increased.

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### Theoretical basis of regional economic research

The economy of the region as a science does not just occupy an intermediate position between macro and microeconomics, but it has a separate object of meso level research, i.e. the region, which is why this branch of economic science is often called mesoeconomics. This direction originates in the first half of the XIX century with theoretical studies on the location of production. In 1826, German economist J. Thünen put forward the theory of agricultural standort, which included the center and 6 circles of agricultural activity [1]. V. Launhardt applied the theory of standort<sup>1</sup> to industrial production theoretically justifying the optimal location of the enterprise relative to sources of raw materials and markets [2]. A serious step forward was made at the beginning of the 20th century by Alfred Weber (brother of the famous philosopher and sociologist Max Weber). Weber's calculations include not only transport costs, but also the costs of materials and labor. He also introduced the scientific term "economies of agglomeration" [3]. Later W. Christaller

<sup>1</sup> The German word "standort" literally means location, in the economy it is used to refer to a spatial economic unit.

developed a spatial "lattice" consisting of central places and adjoining territory in the form of adjacent hexagons [4]. Generalizing numerous spatial concepts of the allocation of productive forces, A. Lösch developed the theory of spatial equilibrium [5].

Another area of regional economic research was related to interregional trade and division of labor. In particular, these problems were studied in the works of Swedish economists E. Heckscher and B. Ohlin. They upgraded the doctrine of the absolute and relative advantages of A. Smith and D. Ricardo expanding the range of analyzed factors of production (Smith and Ricardo dealt mainly with labor costs) [6]. The contribution of Walter Isard to the formation of regionalism as a science should also be noted [7]. It was he who founded the Regional Studies Association<sup>2</sup>.

The key concept of the regional economy is the "space", which has at least three meanings [8]:

- Territory as a certain unit of space, which includes a lot of objects and connections between them.
- Habitat as a set of properties of the social, economic, cultural and natural environment.
- The economic system as a space for the realization of entrepreneurial initiative and achieving an economic effect.

Undoubtedly, being economists, we are primarily interested in the economic space. However, the multifaceted nature of the object of research leads to intersections with other fields of science, in particular, economic geography and spatial economics. In the USSR, regional economics was a part of economic geography. In the context of planned economy, the main thrust of research was allocation of productive forces. After attempts to transfer powers of economic policy determination to the regions (Sovnarkhozy) failed, industrial interests, not territorial, became to play the leading role. Spatial economics is a relatively new scientific area. This branch of economic science is mainly engaged in the optimal spatial distribution of productive forces and resettlement. Obviously, the subject of the spatial economics and regional economics overlap, so it would be logical to further integrate these two branches.

At the same time with spatial economics, a new economic and geographic approach has been developed, which is called the New Economic Geography (NEG). According to this approach, transport costs, trade, externalities and returns on invested assets are the main categories that need to be analyzed. Approach has emerged under the influence of Fujita [9], Krugman [10] and Venables [11], which analyses the general equilibrium model in imperfect competition [12]. According to same author, NEG is a synthesis of the theory of location, economies of agglomeration, the theory of externalities [13], regional specialization and concentration, imperfect competition, transaction costs and technological spillovers. Ottaviano [14] considered that the focus of regional policy in the context of NEG is the spatial distribution of economic activities, because of its effects on well-being. In Russia, research in the field of spatial economics and NEG is conducted by the school of Academician A.G. Granberg [15,16]. The school considers the fundamentals of these theories as a methodological basis for the economic development of space in the context of modern regional development. Spatial economics is used to solve a number of applied problems in Russia, in particular, development of the Arctic space and planning of the gas transportation infrastructure [17].

In Western economic science, the term "regional studies" is most often used, which corresponds to domestic regionalism. This scientific area is engaged in a comprehensive analysis of the region using the theoretical and methodological tools of economics, geography, sociology, and political science. Taking into account the general tendency to spread interdisciplinarity in scientific research or holism from the standpoint of the philosophy of science, this direction of development seems the most promising. For example, the institutional theory that has received a well-deserved recognition in recent years is inherently interdisciplinary as it is used in economics, sociology, and political science. The term regional studies received an interdisciplinary approach using socio-economic, cultural and political science since the 1980s [18] but the most growing scientific importance start from 1990s [10,19,20]. The way of the development of regional issues in European countries was difficult. Although traditional regions existed for a long time in Europe (e.g., Lombardy, Catalonia, Wales, Baden-Württemberg, Brittany, or Franconia), the state-central approach based on centralization and hierarchical vision of the relationship between the central government and regions remained dominant in the territorial politics of European states until 20. century. The big impact of regional economy in Western economies and their influence on regionalization is recognized by the German school of economy. German *Länder*-s (regions) have a key position and the constitution of Germany. However, not

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<sup>2</sup> Regional Studies Association. URL: <http://www.regionalstudies.org>.

only geography (traditional and new regional geography) had an impact on the development of this discipline. The increasing application of mathematical and statistical methods has generated the development of regional economy, which is today very popular disciplines. Moreover, these methods are the biggest drivers of regional research. Some authors (including the famous geographer Bunge), found the importance of applying mathematical methods more than 50 years ago. According to this author, the borders of regions can be determined precisely by using mathematical methods [21].

The region is the basic unit of territorial division of the country. As of January 1, there are 85 regions in Russia including 22 republics, 9 territories, 46 regions, 3 federal cities, 1 autonomous region, and 4 autonomous districts<sup>3</sup>. The regions are united into enlarged units - federal districts. At the beginning of the year, there were 9 federal districts in Russia, but the Republic of Crimea and the federal city Sevastopol on July 28, 2016, were transferred to the Southern Federal District; so, there are now 8 federal districts in Russia. In Europe, the basic unit of economic statistics is NUTS (Nomenclature of territorial units for statistics, *franc. Nomenclature des unités territoriales statistiques*) established by the European Statistical Office in Luxembourg (Eurostat) at the beginning of the seventies, in cooperation with national statistical institutions. This unit has several levels: level 0 - national level (27 states); level 1 - large regions and autonomous regions (with a population of 3 to 7 million people, total 97 NUTS 1); level 2 - provinces and departments (with a population of 800 thousand to 3 million people, total 270 NUTS 2); level 3 - counties and prefectures (with a population of 150 to 800 thousand people, total 1294 NUTS 3) [22]. In a more detailed analysis, LAU (Local Administrative Units) are used.

NUTS classification of territorial units is an attempt to introduce standardized statistics geographic areas throughout the European Union. This is not proposal for each country in the Europe to drop its local eligible territorial units, which may have deep historical roots and essentially imposes the organization of local government in favor of a centrally-imposed geographical hierarchy. NUTS classification territorial units used by each country provides a wide degree of comparability across the EU.

In Russia, the system of division into economic regions inherited from the USSR is still being used. At present, there are 12 economic regions in Russia, which basically repeat the configuration of the RSFSR<sup>4</sup> with some changes. Thus, Kaliningrad Region, for obvious reasons, no longer enters the Baltic economic region, but is a separate economic region and a special economic zone<sup>5</sup>. There are also 8 Interregional Economic Cooperation Associations, which, according to territorial division, almost coincide with the federal districts (Interregional Economic Cooperation Associations have been existing longer - since 1991). It should be noted that economic zoning has always been one of the most important areas of regional research in Russia and the USSR. Its foundations were laid in the 19th - early 20th centuries by K.I. Arseniev, P.P. Semenov-Tien-Shansky, D.I. Mendeleev, D.I. Richter, and others. Among the Soviet studies, we can mention the works of N.N. Kolossovsky [23].

### Different definitions of region

In the scientific literature, there is no general-accepted definition of the region. However, most of the authors would agree that the region includes a specific geographic closeness and neighborhood [24] and mutual connection [25]. Other authors could say that there is a certain degree of homogeneity of the culture [26], the compound of cultural relation between the specific groups and a certain space [27], or a sense of community [28]. Mostly, the region has only a geographical determinant of specific field which has the collective social or even natural features, without administrative structure [29]. Moreover, the region is sometimes referred to in the continent (Europe, Australia). According to Reibsame [30], the region is perceived as a playing arena for human activities, where it may (but necessary) be a geographical entity with clearly defined borders.

According to Puhle [31], region may be defined as any territory that is less than the state and greater of the district. Region in the classical historical sense means the territory as well as traditional French institutional landscape (that have destroyed during the French Revolution) and Napoleon, or some traditional

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<sup>3</sup> Federal Statistics Service. URL: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/en/main/](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/).

<sup>4</sup> Russian Soviet Federative Socialist Republic within the USSR.

<sup>5</sup> National Classification of economic regions. OK 024-95 (Government Standard of Russia from 27.12.1995 N 640) (Ed. 03.10.2014).

territories - regions such as Lombardy, Catalonia, Wales or Franconia. According to same author, region can also be artificially created, as was the case in the French regional plans coordinated by NUTS standards. Practically the state in one decision can regionalised part of the central government. On the other hand, there are the traditional regions with their own regional identity, cohesion, tradition, common history, experience and special language [32].

The definition of the region can be part of natural-geographical determinant. One of the most important representatives of regional geography, Carl Ritter, defines a region as the perfect entire structure in which there is a union between the nature and man [33]. According to this author, the region is chorological units consisting of a specific geographic area with their content. The earth's surface is heterogeneous and composed of several regions, where the region is formed in the adaptation process a human, organized in society with certain natural conditions. Determinant of the region includes more social aspects among which dominate historical, political, economic, cultural and other aspects. Today, regions are more related to the administrative units.

According to Radovanovic [34], the region is typological category which means that region is isolated on the basis of the prevailing natural characteristics. A very important characteristic of the region is uniqueness, a concrete and realistic geographic phenomenon as well as unique data integrity. The first category of a given postulates the geographical position, which means that the regions which are very similar in terms of typology have a different position with respect on its direct environment. Position is regarded as a category which is characterized by naturally-geographical differences on the one side, and the attributes and connections of the political, economic, traffic, cultural and geopolitical character, on the other side. The same author emphasizes that region has the capacity of historicalness, humanized and tehnogenised of the range of ecumenes (inhabited earth) with the interaction between the geographic environment, human, society and technology. Therefore, the regions are in more or less permeate with the technosphere which is conditioned by the more intensive interaction between natural geosystem, human and technology.

Region may also have geographic-statistical reference, as it exists in the terminology of the European Union and which is explained by statistical classifications - NUTS (Nomenclature of Territorial Units for Statistics). It can be explained by regional and ethnic characteristics, which increasingly appears in scientific papers [35].

According to Timo Behr and Jokela Juha [36], the regions can be categorized in the range of regionalization and they could be divided into:

1. Micro-regions, which are usually defined as territorial units that are smaller than the state but larger than municipalities. These regions typically represent provinces in a country.
2. The cross-border region, which are composed of several micro-regions and form a bigger region beyond national boundaries. Most cross-border regions are with economic tends or functional cooperation, to address specific questions and issues that are common to this region.
3. Sub-regions, which consist of several states that are part of a larger macro-regional units. These regions often have specific geographic or historical roots as also a cultural or linguistic similarity. In addition, they can reflect the political and economic integration within the macro region.
4. Macro-regions, represent large territorial unit consisting of a number of different states. They are similar to sub-regions because they have a common geographical and historical characteristic, but they are larger territorially. Examples of these regions are: the European Union, South-American or Southeast Asia region, etc. Countries covered by these regions have a wide range of common political, economic and socio-cultural issues.

According AER (Assembly of European Regions) Declaration on regionalization, the region is defined as a territorial legal body with the decision-making level just below the state and which possess independent political administration [37]. According to this definition, regions (in Europe) are not homogeneous entities with a large extent differ in size, population, institutional structure, responsibilities, and financial powers. For example: At one size, they are the federal states (Germany, Austria, Belgium, and Switzerland) that have significant legislative authority in many areas. From the other side, they are the regions in a relatively centralized country (such as France), with less power and operate in a very restrictive national level. With this definition of the region, it is often emphasized that the region is recognized in the national constitution or in legislation which guarantees its autonomy, identity, powers, and organizational structure. We believe that the regions are in the focus of contemporary scientific research (as also political and other social

research) mainly due to decentralization and its effects. Economic literature today pays great attention to decentralization mostly analyzing the impact of different types of decentralization on efficiency, equity, and economic balance. This is in order to define the optimal level of decentralization of power by comparing the advantages and disadvantages of different solutions decentralization. We can say that decentralization is a "contract" between politics and the economy with the aim of increasing efficiency and well-being. Moreover, we can say that the development of the theory of regions and their defining today is associated with the effects of decentralization of territory and their influence on economic growth. The main contribution of regional division is based on the assumption that citizens are "recipients of different services" (like public services) where regional or local authorities respond effectively to their needs.

### Conclusion

The economics as a science has made a long way since the early 19<sup>th</sup> century, when it emerged with the work of A. Smith. A tendency to regionalization has been increasing along this way. Generally, we can point two general directions in regional studies: the first one has developed the principles of allocation of productive forces; the second is dealing with interregional trade. At present, the region is right in the center of scientific and political discourse; at the same time, regional studies tend to multidisciplinary. However, there is still no clear definition of the term "region". Due to its multifaceted nature, it certainly has natural, cultural, economic, political, and social dimension. At the same time, this term occupies a wide range of phenomena from small parts of countries to huge continental interstate formations. Clear definition of the term "region" is essential in order to make one's research more precise and valuable.

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