Endogenous Growth, Local Competitiveness and Regional Development: Western Australia's Regional Cities, 2001-2011

Paul Plummer, Matthew Tonts & Kirsten Martinus
Center for Regional Development
School of Earth and Environment

Overview

- *Understanding Local Competitive Advantage*

  - WARCA in the Context of the WA Settlement Hierarchy

  - Albany, Broome, Bunbury, Geraldton-Greenough, Kalgoorlie-Boulder, Port Hedland, Roebourne

- *Accounting for Local Growth Differentials*

  - We have the Data, What are Your Questions?

  - Growth Regressions: Convergence or Divergence?

  - Shift-Share Analysis: Economic Structure or Local Competitiveness

- *Competitiveness and the Implications For Regional Policy*

  - Globalization and Economic Restructuring

  - Endogenous growth and Local Competitiveness

We Have the Data, What Are Your Questions?

- *Oracles: Prophecy is not Evidence*

  - *"It is of the highest importance, therefore, not to have useless facts elbowing out the useful ones"*

- *Sherlock Holmes........... Evidence Based Policy?*

  - *"No data yet........It is a capital mistake to theorize before you have all the evidence. It biases the judgment"*

- *In Practice, Evidence is Vague, Ambiguous, and Contradictory*

  - *"Such slips are common to all mortals, and the greatest is he who can recognize and repair them"*

The Geography of Uneven Development: Forging Ahead, Catching up and Falling Behind.

Accounting for Economic Structure and Local Competitiveness

$$g_r^t - g_n^t = \sum_{i=1}^{N} \left(\theta_{ir}^{t-1} - \lambda_{it}^{t-1} \right) g_i^t + \sum_{i=1}^{N} \theta_{ir}^t \left(g_{ir}^{t-1} - g_i^{t-1} \right)$$

$$\theta_{ir}^{t-1} = \frac{E_{ir}^{t-1}}{\sum_{i=1}^{N} E_{ir}^{t-1}}$$ Local Industry Employment Share

$$\lambda_i^{t-1} = \frac{E_i^{t-1}}{\sum_{i=1}^{N} E_i^{t-1}}$$ WA Industry Employment Share

# Shift-Share Decomposition by Regional City, 2001-2011

Local Government Area	Employment Growth Rate (g_r)	Difference (A_r)	Industry Mix (IM_r)	Local Competitiveness (LC_r)
2001-2006				
Albany	0.1430	0.0113	-0.0156	0.0270
Broome	0.0526	-0.0790	-0.0035	-0.0756
Bunbury	0.0968	-0.0348	0.0091	-0.0439
Geraldton-Greenough	0.1148	-0.0168	-0.0051	-0.0118
Kalgoorlie-Boulder	0.0179	-0.113	0.0542	-0.1680
Port Hedland	-0.0884	-0.2201	0.0603	-0.2803
Roebourne	0.1646	0.0329	0.0582	-0.0252
2006-2011				
Albany	0.0669	-0.1104	-0.0333	-0.0771
Broome	0.1651	-0.0122	-0.0148	0.0026
Bunbury	0.0629	-0.1144	-0.0049	-0.1096
Geraldton-Greenough	0.1941	0.0169	-0.0031	0.0200
Kalgoorlie-Boulder	0.1061	-0.0712	0.1011	-0.1723
Port Hedland	0.6953	0.5180	0.0939	0.4242
Roebourne	0.6844	0.5071	0.1177	0.3894

Industry Sector Shift-Share Patterns, 2006-2011
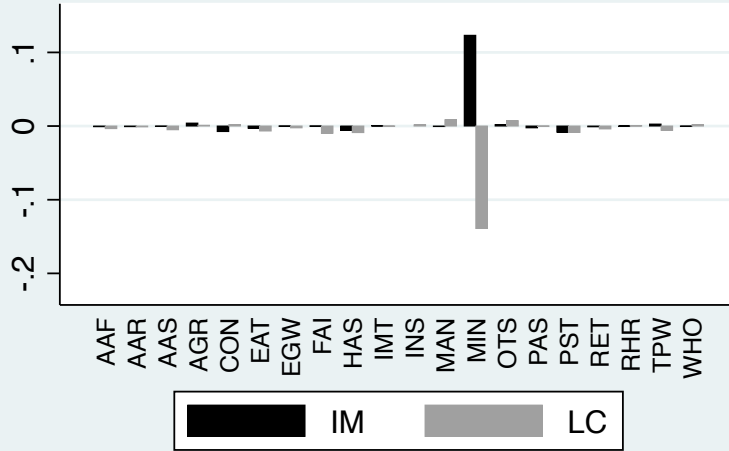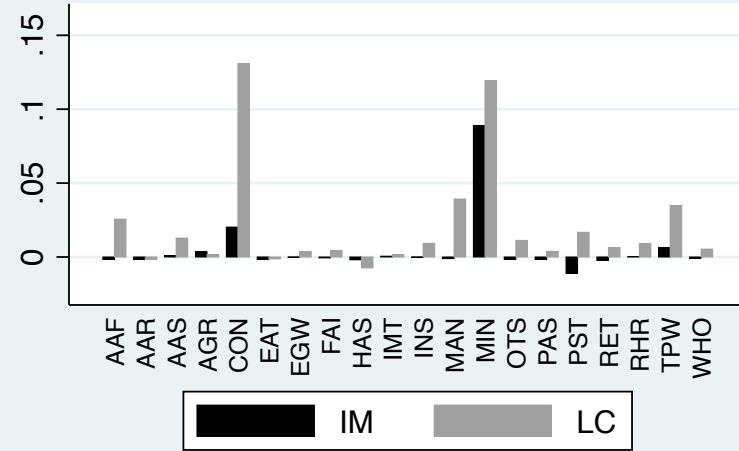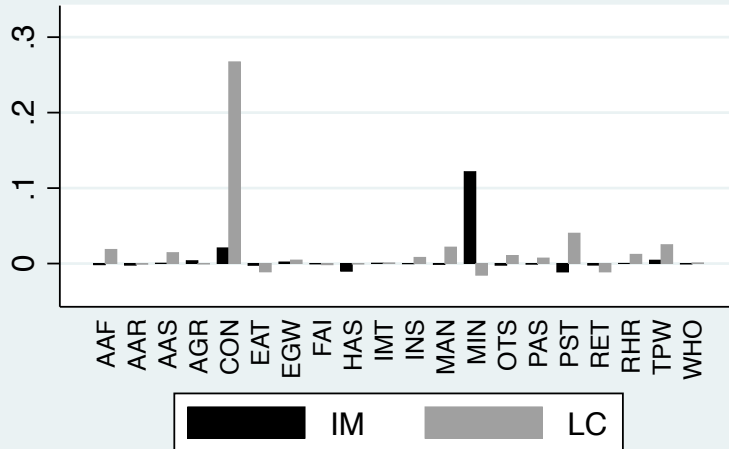
Industry Sector Shift-Share Patterns, 2006-2011
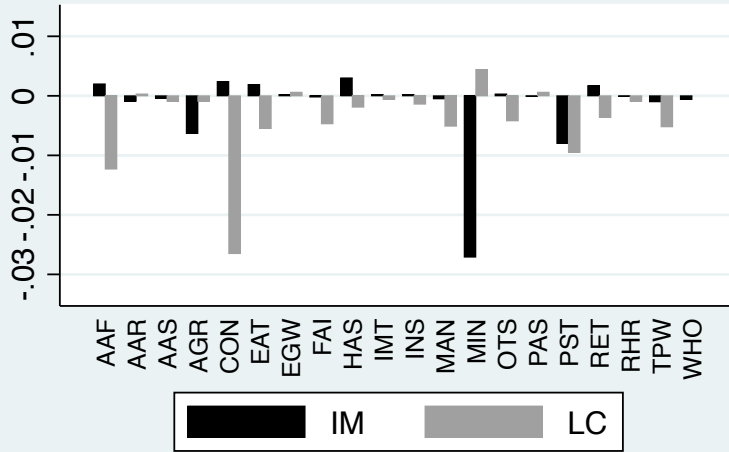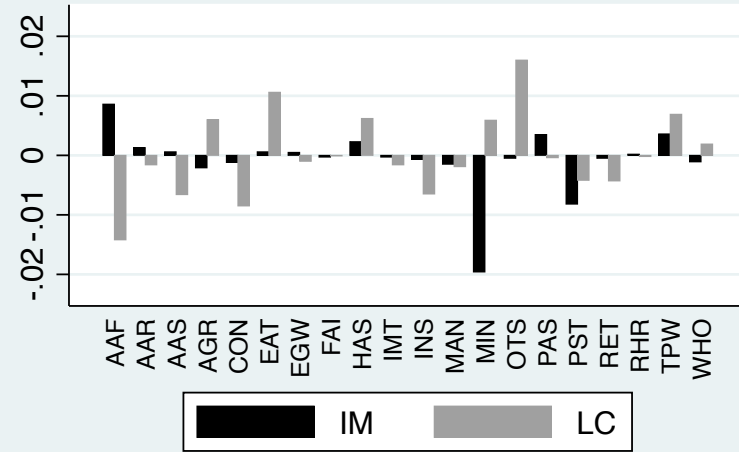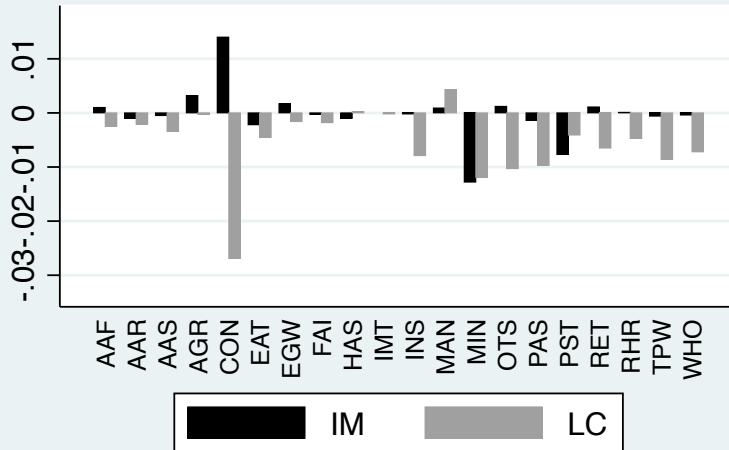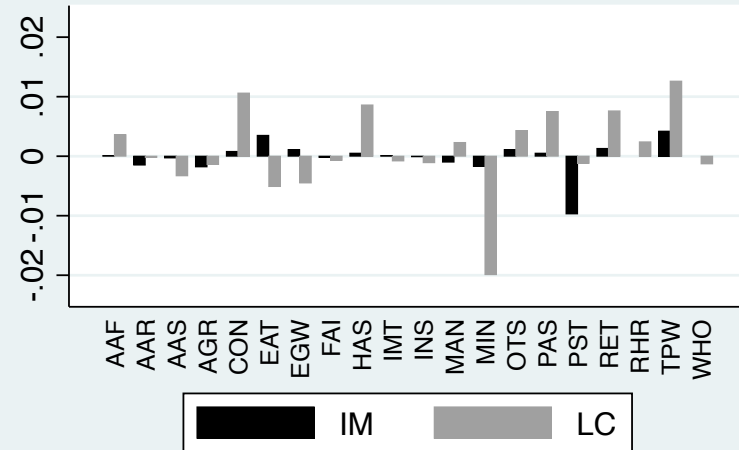
Conclusions and Implications for Regional Policy

- *Understanding Local Competitive Advantage*

  – Widening Gap Between Localities Across Settlement Hierarchy

  – Endogenous Growth: Forging Ahead and Falling Behind

- *Accounting for Local Growth Differentials Across WARCA*

  – Engagement with Broader Socio-Economic Processes Important Drivers of Local Economies

  – Local Competitiveness is Critical in both Allowing Localities to Either Overcome and Unfavourable Mix of Industries or Capitalize on their Industry Structure.

- *Competitiveness and the Implications For Regional Policy*

  – Qualitative Differences Questions 'One Size Fits All' Policy Stance

  – Need to Exercise Caution in Focussing Excessively on 'Competitiveness'