Abstract

The interest and active participation of governments at the municipal, state, regional and federal levels to promote and guide local economic development (LED) in Brazil has surged significantly over the last decade. Though research directed at examining how growth can be ignited at the local level has occupied the attention of scholars, research on how issues of public administration and policy are impacted by spatiality in the case of Brazil remains an emerging field. This paper reviews the literature on local economic development policies, focusing on synthesizing the research findings emerging in two main bodies of work—‘new economic geography’ (NEG) models and studies examining regional economic development efforts in developed and developing countries. We synthesize the key policy implications emerging from both literature streams with particular attention to the case of local economic development policies directed at Brazil. Secondly, we draw attention to the scant interchange that exists between these two lines of inquiry and argue that filling this gap is important for the theory and to promote further advances in research on local economic development applied to the Brazil.

Introduction

The interest and active participation of governments at the municipal, state, regional and federal levels to promote and guide local economic development (LED) in Brazil has surged dramatically over the last decade. With macroeconomic stabilization, particularly the drastic reduction of inflation, governments have directed increased attention to the reduction of unemployment, as well as the generation of income and incentives for economic activity in specific geographic regions within Brazil. Though research directed at examining how growth can be ignited at the local level has occupied the attention of scholars, research on how issues of public administration and policy are impacted by spatiality in the case of Brazil remains an emerging field.

In the most recent literature, there are essentially two lines of inquiry with respect to regional development studies. The first, called the “New Economic Geography (NEG), seeks to reinvigorate the findings in classical studies by Marshall (1890 (1961)), Myrdal (1957), Hirschman(1958) and others. NEG seeks to develop and test models to study the relationship between increasing returns to scale, transportation costs and agglomeration advantages based on microeconomic fundamentals. Building on theoretical models, NEG seeks to evaluate the primary sources for these advantages or to estimate the size of the scale economies derived from these processes. The second research stream, largely advanced by urban planners, business economists, geographers and urban sociologists, has studied the development and impact of local economic development (LED) initiatives in developed and developing countries. The literature on LED has sought to establish general parameters which define strategies for fostering innovation and prosperity in regional economies. In the case of developing countries, such as Brazil, research has essentially concentrated on case studies.

Research on regional economic development is particularly important for countries such as Brazil where the uneven spatial distribution of economic activity has been particularly marked and has tended to persist over time. Yet, research on how issues of public
administration and policy are impacted by spatiality remains an emerging field, most especially in the case of local economic development policies in the case of developing countries such as Brazil. This paper synthesizes the research findings emerging from both the “New Economic Geography” and “Local Economic Development” literatures with particular attention to the policy implications for governments. Section 2 synthesizes insights on patterns of development across regions and the policy implications emerging from the NEG literature. Section 3 presents finding from LED research on the importance of institutions (organizational forms) and processes in LED efforts. Section 4 particular attention to the case of local economic development policies directed at Brazil. Section 5 sketch some conclusions from the literature review.

II. The New Economic Geography Literature and Regional Development

The uneven spatial distribution of economic activity in Brazil has remained concentrated in a core region centered in São Paulo throughout industrialization, persevering until the present day. In fact, empirical evidence suggests that the share of Brazil’s population and income remained concentrated in the state of São Paulo and its neighbors, the states of Paraná and Minas Gerais, throughout the 20th century. Whereas, 63% of national income and 44.5% of the population were concentrated in these regions in 1939, the level of economic activity had only fallen by 5% in 57 years to 58.1% for the Southeast states (São Paulo, Paraná and Minas Gerais) and population to 42.7% by 1996 (Azzoni 2001). In contrast, the Northeast region of Brazil’s share of income decreased from 16.9% to 13.5% during the same period.

Research on why economic activity clusters in centers, how new centers develop and the consequences of remoteness are particularly important for countries such as Brazil where the uneven spatial distribution of economic activity has been particularly marked and has tended to persist over time. Building on earlier work on the geographic concentration of economic activity and urban/rural differences, recent research sparked Krugman’s (1991a; 1991b) seminal studies have called renewed attention to examination of how increasing returns, both at the internal level of the firm and externally with respect to other firms, may contribute to explaining agglomeration forces at the country, regional and city levels (Baldwin et al. 2003; Fujita, Krugman, and Venables 1999; Fujita and Thisse 2002). One of the key insights revealed by research in the so-called “New Economic Geography (NEG)” literature is that growth may be uneven and tend towards divergence within regions in an economy (Aghón, Alburquerque, and Cortés 2001; Henderson, Shalizi, and Venables 2001).

Consequently, NEG studies have drawn renewed attention at the conditions which drive firms to locate in close proximity to large markets and to each other. Models have emphasized both supply (reduced transport costs, access to immobile factors), as well as demand (namely market access) factors as the determinants of the agglomeration of economic activity with increasing returns. And unlike models predicated on constant or diminishing returns, these models show that production, trade and investment patterns evolve in a geographically concentrated, or gravitational, manner which seems to be the very processes observed empirically by those studying development trajectories.

To date, limited research has been undertaken with respect to applying NEG frameworks to public policy analysis in the case of Brazil. Empirical findings, however, do exist that suggest that further research utilizing NEG models could help elucidate observed spatial economic growth trends. The magnitude of the productivity advantages gained for
cities in the core region of Brazil (the state of São Paulo and its vicinity) has been documented by several studies (Hansen 1987; Henderson 1988; Townroe 1985). Though these studies have recognized that pecuniary externalities, such as congestion costs and pollution, may significantly reduce the benefits of agglomeration, leading to the concentration and dispersion, the persistence of concentration around São Paulo remains noteworthy. Seeking to examine the rate of convergence across different states in Brazil for the period 1939-1990, Azzoni (2001) reports strong signs of increasing divergence within the poorer regions of the country simultaneously with increasing convergence within the richer regions.

Under different assumptions regarding factor mobility, NEG models predict that different growth performance outcomes are possible. Under conditions where factors are immobile and there are broader linkages between particular industries, Krugman and Venables (1995) show that industrial activity concentrates in the "core" as the benefits from concentration (due to market access or demand driven factors) outweigh the labor cost savings of moving "periphery" predicting increased inequality across geographical regions. On the other hand, with the mobility of capital and labor and the closer linkages between industries, Henderson (1974) shows that patterns will be more diffused with particular cities specializing in particular types of industries. The prediction mobile factors will contribute to diffused economic growth has been questioned, however, by more recent research. Puga (1998), for example, argues that urbanization patterns in contemporary less developed economies will follow a reverse trend to that experienced during Europe’s expansion in the 19th century where patterns led to more evenly distributed regional growth. With lower costs of spatial interaction, economies of scale, and elastic supply of labor to the urban sector, Puga concludes that the dominant pattern in developing countries will be economic development in which primate cities dominate.

By shedding light on the concentration of economic activity and spread of development to developing regions, the NEG literature has also provided evidence to show how policy interventions can circumvent geographical determinism (Krugman 1991a). Specifically, under certain conditions, government policies directed at reducing the costs of remoteness can allow new economic centers to develop. Building on these earlier models, more recent NEG research has begun to focus its attention on how public infrastructure (roads, airports, industrial parks), as well as technology and production subsidies influence location patterns and economic development (Puga 2002). In these models, government policies directed at public infrastructure investments decrease transportation costs, as well as lower wages and rents outside the primate city. Thus, policies directed at transportation infrastructure may contribute to the diffusion of economic activity to outer provinces. In the case of Brazil, these theoretical models might explain the observed process of the deconcentration of industry from metropolitan São Paulo to the State of São Paulo, as well as the emergence of industrial production in other regions (Hansen 1987; Townroe and Keen 1984).

However, one of the principal lessons from the studies on the effects of public policies in NEG models is that because of the cumulative, nonlinear processes under way it is very difficult to anticipate the impact of specific policy interventions due to complex interactions and endogeneity. With agglomeration, multiple equilibria with distinctly different outcomes in terms of growth and regional inequalities are possible. As a result, outcomes in which a "good" equilibrium with high growth and low spatial concentration and a “bad” equilibrium with low growth and high spatial concentration coexist are entirely feasible (Baldwin et al. 2003).
Similarly, policy interventions to provide public infrastructure can yield enhanced growth in less-developed regions, but NEG models also provide insights as to why these trends may not necessarily materialize, or the benefits may be less than initially predicted. Policies may successfully promote the diffusion of industrial activity across states, but also contribute to the formation of new clusters within these regions. In this vein, both Glaeser, Dumais, and Ellison (2002) and Glaeser, Scheinkman, and Shleifer (1995) develop models to show how the spread of economic activity can create new endogenous processes that induce further concentration in spatial growth within the new region. Still other models show that reduced transportation costs, for example, can also facilitate the entry of supplies by larger firms to rural, more distant markets and thereby reduce the likelihood that industrialization will take place. NEG models have provided insights as to why strategic interactions may result in a “race to the bottom” between competing regions (Ottaviano 2002). Because each region has strategic interests to adopt a counterstrategy to retain firms in its locality, regional or local governments may have incentives to implement policies which run counter to the interests of others localities.

III. Local Economic Development Research in Developed and Developing Countries

Fomenting development in specific geographic regions through targeted policies and reducing levels of regional inequality have been consistent objectives in both developed and developing countries for several centuries. Drawing on these experiences, the so-called literature on “Local Economic Development (LED)” has sought to examine how development is shaped by the exercise of strategic control by local actors who seek to maximize the potentials of local human, institutional and physical capabilities in a strategic manner. While also emphasizing factor (input) and demand conditions, this body of research has made particularly strong advances in elucidating how supply-side factors lead to agglomeration in core activities.

Stimulated by Porter’s (1990) work on competitiveness, an important part of the research in LED has focused on clusters, private sector firms’, their strategies, their structure and rivalry, as well as their relationships to supporting industries and how these factors translate into self-reinforcing determinants of sustained economic growth. Research on LED has contributed three key insights that underscore the importance of institutions (organizational forms) and processes in LED efforts. First, LED research has stressed that activity types, as well as locality matter (Webster and Muller 2000). Saxenian’s (1994) work on the Silicon Valley and Route 128 is illustrative of the insights derived from this framework. In these cases, the region’s development is shown to be the result of the buildup of firms within a defined geographic region, the complex set of relationships and linkages within this network spanning firms, universities and the public sector, the sector’s embeddedness and centrality in the global production chain, and the effective shift in innovation from computer manufacturing to semiconductors to Internet technologies. Secondly, studies have highlighted the importance of studying the presence of, and linkages to, related activities and institutions (Porter 2000). Finally, the LED literature has also stressed that an important determinant of the success or failure of specific initiatives is the ability for coalitions-centered development strategies to effectively translate into positive outcomes (Meyer-Stamer 2003a).

Within this framework, governments are viewed as a central actor in creating a favorable environment for business activity, as well as for upgrading factor conditions. Governments are also recognized as playing a key role in remedying specific market failures,
such as the lack of visibility of new businesses and the lack of access to capital for new entrants (Bartik 1990; Meyer-Stamer 2003b; Tendler 2002b). In terms of courses of action, LED initiatives have been characterized by the promotion of policies including fiscal subsidies, tax incentives, free trade zones, reduced transportation costs and the provision of a trained labor force. Common approaches to LED emphasize strategic planning, local economic development agencies, and cluster promotion policies. The specification of locality varies significantly and LED frameworks have been used to focus on strategies targeted at the broad range of geographic regions within a nation, ranging from the country as a whole to the specific neighborhood levels (Ettlinger 2001).

Historically, LED initiatives were often promoted by national governments, such as the case of the TVA to advance progress in the economically depressed areas of the Appalachian Region of the U.S. and the creation of the SUDENE (Superintendência de Desenvolvimento do Nordeste) to promote development in the nine states of northeastern Brazil. In recent decades, the number of actors has increased significantly ranging from national, subnational, and local governments, to the private sector, NGOs and international organizations, as well community development organizations and NGOs. In addition, whereas traditionally LED efforts were undertaken by a single agency, increasingly initiatives are elaborated as parts of partnerships and coalitions comprised of the public and private sectors, as well as community development organizations.

Differences between LED in the “North” (i.e. Europe and U.S.) versus the “South” (i.e. developing countries) have also been identified as critical in explaining the variation in the size, scale and scope of LED interventions (Nel 2001). In Europe and the U.S., LED has been largely driven by locality-specific crisis of deindustrialization, as well as pressures to “rollback the role of the state.” In the European Union, the primary instrument of regional policy is through the financing of impoverished regions through objective 1 of the Structural Funds, which now comprises approximately 30% of the EU budget (Puga 2002). In the U.S., the locus at the government level has also shifted towards local city governments and local development agencies promoting initiatives targeted at business retention, new business development, high technology development, development of brownfields, distressed neighborhoods, and downtowns (Bartik 2003).

Thus far, research on LED exists for only a select group of countries in Latin America, Asia and South Africa (Helmsing 2001a). The available evidence suggests that LED initiatives have been underway since at least the mid-20th century in developing countries. For example, in a survey focused on Latin America in the early 1970s conducted by Stohr (1972), 73 LED programs were identified. In the case of Latin America, Helmsing (2001b) argues that LED initiatives have entered a third stage in the 1990s. Whereas the first stage in the 1950s and 1960s, LED was dominated by national governments seeking to balance the uneven character of economic development and attracting new firms to locations, the second generation spanning the 1970s and 1980s largely tended to reject the potential benefits which could be reaped from state-led industrial policies. However, Helmsing argues, that since the early 1990s, a new generation of LED policies have been instituted. Unlike previous initiatives, the new stage of LED posits that endogeneity is an important point of departure for policy initiatives. Helmsing (2001b) notes that meso-institutions, defined as institutions at the sectoral or regional level, have become key actors to third-generation LED efforts in Latin America. Indeed, newly created meso-institutions played a critical role in nine of the twelve cases examined by Helmsing (2001b) and in contrast to earlier periods, small enterprise or new business development programs have tended to be the primary focus. In addition to the
central role played by state and local governments, Helmsing sustains that NGOs and community development remain mostly absent in most LED initiatives in Latin America.¹

In the literature focusing on Latin America and South Africa, the transition to democracy which has created democratically elected local structures and greater autonomy has been noted as contributing to the multiplication of LED initiatives underway (Llorens, Alburquerque, and Castillo 2002; Nel 2001). Nevertheless, Nel (2001) stresses that although pressures including decentralization, globalization and economic restructuring have fomented a renewed emphasis on efforts aimed at igniting economic growth at the local level in recent decades, the lack of resources hinder the capacities of local governments and community development organizations in developing countries from being able to mobilize effective programs and thus success has been limited.

As this section has attempted to highlight, to date, LED research has focused on characterizing different trajectories and pathways to economic development for different types of cities—metropolis, suburban cities, small cities and rural areas (Wong 2002). However, more rigorous evaluations of local economic development policies remain a significant gap in the literature on LED. While research on the differences between LED factors (inputs) and performance variables (outputs) has evolved, the few evaluations that have been conducted have focused on process more often than impact evaluations (Bartik 2002). As Bartik and Bingham (1995) conclude "economic development evaluation is where job-training evaluation was 20 years ago-- with the few good evaluations, more low-quality evaluations, and too few evaluations overall." Others are even more pessimistic, noting that there is only scant evidence that LED has ever been successful anywhere (Meyer-Stamer 2003b).

IV. Research on Local Economic Development in Brazil

Work on examining Brazil’s local economic development experiences has followed the LED literature largely through the elaboration of case studies. These studies have sought to map the types of initiatives taking place, as well as some of the distinguishing characteristics of this most recent stage of LED policies in Brazil. This work has also been comparative focusing on contrasting Brazilian examples with evidence in other Latin American countries. Other studies have directed their efforts to examining the impact of specific government policies on industrial development and economic growth largely based on empirics made possible by the availability of data permitting these types of exercises. In this section, we focus on the findings and policy implications derived from these analyses.

LED initiatives have tended to follow similar patterns across countries with federal governments coordinating programs initially. Brazil has accompanied these trends. Helmsing (2001b) traces these successive stages noting that the first wave of regional economic development initiatives in Brazil that emerged during the 1970s and 1980s, such as the SUDENE for the Northeast and the SUDAM (Superintendência de Desenvolvimento da Amazônia) for the Amazon, were initially national government programs. In the last decade, however, a new wave of programs largely led by state and municipal governments has emerged in Brazil. By 2001, IBGE (2001)’s survey of the country’s total 5,560 municipalities revealed that 1,945 municipalities (35%) had implemented some type of fiscal incentive program and that 2,892 municipalities (52%) had implemented some type of employment or income generation program. Our review of the Local Economic Development (LED) policies adopted across Brazilian municipalities reveals that efforts often consist of a range of policies...
varying from municipalities that have implemented, for instance, only land donation programs to others which have adopted a combined set of policies, such as reducing IPTU and ISS taxes, donating land, creating industrial districts, and launching employment and income generation programs. Variation also exists in the institutional forms of LED programs, though increasingly municipal governments have emerged as important and under-studied actors. Studies have argued that this new trend of the growing presence of decentralized development initiatives is largely the result of Brazil not only being the largest federal republic in the region, but also in addition to Argentina, the country which gives the most autonomy to municipal governments at the local level (Llorens, Alburquerque and del Castillo (2002).

Though LED initiatives appear to be fairly widespread, our review of the literature reveals that to date research has largely focused on a discrete number of well-known cases. Case study specific research has examined well-known examples such as the Greater ABC Region in São Paulo (Cocco, Silva, and Sperotto 2001; Klink 2001; Rodriguez-Pose, Tomaney, and Klink 2001); the shoe industry in the Sinos Valley (Meyer-Stamer 2003a; Schmitz 1995) and the furniture cluster in São Bento do Sul (Meyer-Stamer 2003b); intermediate-sized cities in the state of Paraná; and the local economic development challenges confronting the Northeast of Brazil and in particular the state of Ceará (Tendler 2002a; Tendler 2002b). These studies seek to characterize the origin, evolution and unique features of LED initiatives. Cross city/region surveys of the recent wave of LED initiatives in Brazil have been conducted by Affonso (2001) and Llorens, Alburquerque and del Castillo (2002).

Research on Brazilian regional development patterns has also directed its attention at evaluating the role of public infrastructure investments and fiscal incentives in influencing the location and performance of industrial activity. Using estimates for spatial profit function for industrial activity in Brazil that explicitly incorporates infrastructure improvements and fiscal incentives in the cost structure of individual firms based on the 2001 annual industrial survey, Lall, Funderburg, and Yepes (2004) find that there are considerable cost savings from being located in areas with relatively lower transport costs to reach large markets. However, the authors also report that fiscal incentives, such as tax expenditures, have modest effects in terms of influencing firm level costs. Moreover, the authors note that even the purported benefits gleaned from investments in public infrastructure may be not be as significant in assisting the development of lagging regions as these will also facilitate the entry of larger players to serving these markets.

Examining the experience of Brazil in comparative context and largely drawing on specific case studies, Meyer-Stamer (2003b) argues that LED is most critical in supporting the emergence of new industries by minimizing costs of infrastructure, real estate labor and skills development, but that there may be particular adverse incentives for government action and reduced incentives for collective action. He cites three factors. First, in companies that are in emerging and growing industries, greater reliance is placed on localized factors, but these companies also tend to be not very organized which makes it difficult for the creation of local government partnering efforts. On the other hand, companies that are in mature and declining industries tend to be more organized and more effective in terms of lobbying efforts. Secondly, based on the Brazilian cases of the footwear cluster in Sinos Valley and the furniture cluster in São Bento do Sul, Meyer-Stamer underscores that leading companies in global value chain tend to disregard or take over the role of government. Finally, mobile companies and multi-location companies do not often become engaged in LED efforts. Companies contribute to locational quality while enhancing their own competitiveness and the
problem of free riding increases. For Meyer-Stamer, the exception to these problems are the cases of hub-and-spoke and cohesive clusters.

Positing that LED represents a new development paradigm for developing countries Llorens, Alburquerque, and del Castillo (2002) find that cases in Latin America respond to three motivations—responses to crises, extreme need and strategic administration. Four of the 16 cases studied are in Brazil and of them only one corresponds to a financial institution initiative, Banco del Nordeste, the start-up funds for another initiative in Ceará were provided by UNDP and the end result was a state-led development effort. Three of the four cases are municipal-centered programs. For these authors, LED initiatives in the Greater ABC are largely due to the response to crises, programs in Ceará and Banco del Nordeste largely due to a response to extreme needs and programs in Porto Alegre due to strategic administration. Strategic plans emerged ex-ante only in the case of Porto Alegre. Finally, they note that oftentimes, there is a lack of coordination between national policies and LED initiatives, as well as a lack of capacity at the local level. However, no evaluation or impact assessments for LED policies are provided by the authors.

Research has also been directed at evaluating the role of specific policies and how these influence the location and performance of industrial activity. In particular, research has focused on a specific policy, the use of state-level recruitment policies through subsidies or fiscal incentives. Since Brazil’s state governments acquired the right to excise value-added taxes (ICMS), there has been a surge in state recruitment subsidies given by states to outsider firms through a ten-year exemption guarantee. Often argued in the literature as a collective action problem of causing a “race to the bottom,” the so-called “guerras fiscais” have become an important instrument of local economic development efforts at the local level throughout Brazil.

Thus far, scant analysis has been directed at examining the local economic impacts of firms recruited through subsidies. The studies that have examined this policy have revealed some important findings. In a review of recruitment policies targeted at the nine states in the Northeast of Brazil, Tendler (2000) contends that recruitment policies, which focus on generic qualities, are sub-optimal because they focus on qualities which are not unique to those regions seeking to lure firms. As Tendler notes, "recruitment policies are at their worst, in turn, when they cast their net widely in terms of the kinds of firms they want to attract; when they did not focus strategically and firms that would create some synergy with existing economic activity and help to make those connections happen; when they sell themselves to the outside on the grounds of generic qualities possessed by other states in the Northeast (let alone other countries); and when they did not negotiate conditions with the recruited firms that help build on what already exists in the local economy, and separates their benefits more widely (35).”

As further proof, Tendler cites a recent study by Vasconcelos, et.al. (1999), which found that only 25% of firms recruited by the state of Ceará between 1991 and 1994 were actually functioning in 1999 and only 22% of employment targets had been achieved.

Similar results are also reported by Lall, Funderburg and Yepes (2004) who use estimates for spatial profit function for industrial activity in Brazil that explicitly incorporates infrastructure improvements and fiscal incentives in the cost structure of individual firms based on the 2001 annual industrial survey. These authors report that there are considerable cost savings from being located in areas with relatively lower transport costs to reach large markets. However, Lall, Funderburg and Yepes also report that fiscal incentives, such as tax expenditures, have modest effects in terms of influencing firm level costs. Moreover, the
authors note that even the purported benefits gleaned from investments in public infrastructure may be not be as significant in assisting the development of lagging regions as these will also facilitate the entry of larger players to serving these markets.

Focusing on the recent dispersion of automobile sector production in Brazil, Rodríguez-Pose and Arbix (2001) view the trend towards new plant locations outside the Sao Paulo metropolitan area as a negative trend hindering development. The deconcentration of the industry away from the traditional hub of the Brazilian motor industry, contend the authors, is not the result of lower labor costs or improved infrastructure in the rest of the country. Instead, the authors argue that perverse territorial competition among Brazilian states represents a pure waste of resources, both for the states engaged in them, as well as for Brazil as a whole.

On the other hand, some preliminary evidence is also emerging which reveals that the effects may be more complex. Tendler (2000) argues that there have been some successful cases where recruitment subsidies have been used strategically shifting the development strategies from narrowly focused “catching an outside firm” to broader LED objectives. Among the successful cases, Tendler argues are those in which recruitment policies are focused on maximizing existing local firms and institutions, such as the case of the Paraíba footwear industry, and those cases where governments to effectively exercise their capacity to negotiate and excise improved conditions for the local economy, such as the case of the Porto Alegre municipality's negotiation with Carrefour and Zaffari supermarket chains. Remarkably, Tendler notes, the municipal government was much more effective in its negotiations with larger multinational chains than the state government of Rio Grande do Sul, which during the same period lost a contract to the state of Bahia for the location of the Ford Motor Company. Tendler’s observation is noteworthy as it draws attention to the fact that the size of government may not necessarily be as important as other factors in ensuring that government recruitment policies have greater benefits for local economies. However this, as is the case with many of the hypothesis revealed to date is only preliminary, as there is insufficient case study evidence of the differences between state and municipal governments in terms of local economic development efforts.

In the case of Brazil, our review of the literature reveals that that most case study analysis has to date largely been descriptive, with few studies focusing on evaluations of LED programs per se. Finding LED experiences and assessing its return is a major challenge for those interested in public policy and administration. The next section of this paper presents an overview of spatial econometric models and how they can be utilized to promote further advances in research on local economic development in Brazil.

V. Conclusion

In undertaking this examination of the ‘new economic geography’ (NEG) and the local economic development (LED) literatures, we find that there is scant interchange between these two lines of inquiry. Each field is largely advancing without much discourse with the questions posed by research in the aforementioned other areas. For example, Henderson, Shalizi, and Venables (2001) argue that to date, scant attention has been directed at linking the theoretical implications of the new economic geography literature to the traditional arguments found in urban and regional economics. Similarly, studies directed at examining the most recent wave of local economic development initiatives which have emerged across many developing countries since the 1990s have to date, limited their focus
on examining how LED policy implementation contrasts with predicted theoretical outcomes and the possible insights that can be gleaning from such comparisons across time and space. We argue that spatial econometric models present a valuable tool to bridge these research streams and promote further advances in research on local economic development applied to the Brazil.

References


Meyer-Stamer, Jorg. 2003b. Why is Local Economic Development so difficult, and what can we do to make it more effective? Duisburg: Mesopartner.


---

1 This is not unanimous in the literature. Actually there are many initiatives in Brazil that contradict this assertion.