

# Introduction to local economic development

## Lecture

Study guide and background learning material

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## Preface

*„Education is something students do,  
rather than something that is done to them.”*

*(Melanie Walker referring to Paulo Freire)*

*‘Introduction to local economic development’ consists of a lecture and a seminar part. The course aims to enable students to understand public affairs related to local development. It provides aspects for the evaluation of local development initiatives; for the understanding of the emerging dilemmas and also for discussing the possible advantages and drawbacks of the alternative solutions.*

*The present background material provides detailed information about the course, guidelines for exam preparation and self-assessment and further background learning materials introducing the core curriculum of the lectures.*

Lecturer: Zoltán BAJMÓCY

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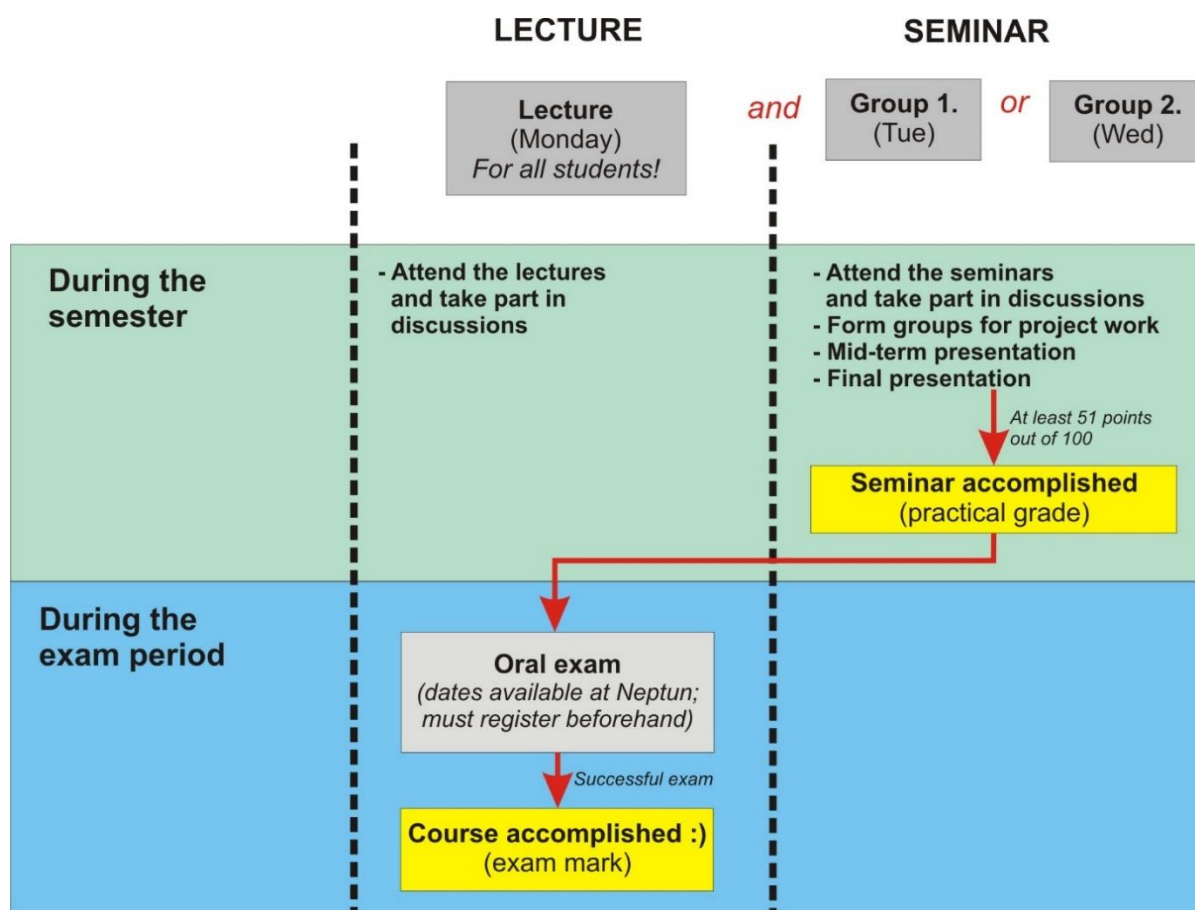
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## 1. Course information

Course title: Introduction to local economic development (lecture)  
Training programme: Business Administration and Management BSc  
Course code: 60C207  
Semester: elective  
Prerequisite: none  
Evaluation: exam mark (1-5)

### 1.1. Summary of the most important information



## 1.2. Learning outcomes

The course enables students to understand public affairs related to local development. The forming of own opinion, the discussion of contrasting points of view and carrying out research both individually and in cooperation with others are integral parts of the course. The most important skills developed by the course are the following: forming an opinion on complex social issues; being able to argue in favour of an opinion; collecting, selecting and systematizing information; learning individually or in cooperation with others; carrying out groupwork. This way the course **contributes to the following competencies**, which are listed as required learning outcomes of the 'Business Administration and Management' training programme:

- **Regarding knowledge**, the student (1) gains a firm grasp on the essential concepts, facts and theories of economics. The student becomes familiar with relevant economic actors, functions and processes; (2) knows and keeps the rules and ethical norms of cooperation and leadership as part of a project, a team and a work organisation;
- **Regarding competences**, the student (1) can uncover facts and basic connections, can arrange and analyse data systematically, can draw conclusions and make critical observations along with preparatory suggestions using the theories and methods learned. The student can make informed decisions in connection with routine and partially unfamiliar issues both in domestic and international settings; (2) can employ techniques and methods of solving economic problems with regard to their application requirements and limits;
- **Regarding attitude**, the student (1) behaves in a proactive, problem oriented way to facilitate quality work. As part of a project or group work the student is constructive, cooperative and initiative; (2) is open to new information, new professional knowledge and new methodologies. The student is also open to take on task demanding responsibility in connection with both solitary and cooperative tasks. The student strives to expand his/her knowledge and to develop his/her work relationships in cooperation with his/her colleagues.
- **Regarding autonomy and responsibility**, the student (1) takes responsibility for his/her analyses, conclusions and decisions; (2) takes responsibility for his/her work

and behaviour from all professional, legal and ethical aspects in connection with keeping the accepted norms and rules.

### 1.3. Topics of the course

Lectures are divided into two main parts. The **first part** provides aspects for the understanding and evaluation of local development initiatives and raises some fundamental dilemmas related to this issue:

1. *General introduction to local economic development.* The concept and goal of local development, basic approaches and actors.
2. *Local development and well-being.* How can local development contribute to the well-being of citizens, the difference between the means and ends of local development.
3. *Local development and social justice.* Receiving a fair share from the results of development or being excluded? Beyond distributional justice.
4. *Decision making and citizen participation in local economic development.* The importance of the process aspect, levels and forms of participation.

The **second part** consists of various timely topics connected to local development. The aim of these lectures is to apply the theoretical frameworks discussed in part 1; to initiate discussion and motivate for further investigation:

5. *Poverty and poverty alleviation.* Marginalization and stigmatization. Is there a way out of the poverty trap?
6. *(In)justice, disability and gender.* A deeper analysis of certain common forms of exclusion and oppression.
7. *Cities and nature.* How natural environment affects human well-being, how the well-being of humans and non-humans are connected to each-other.
8. *Technological change, (un)employment and the concept of unconditional basic income.* How the digital age may affect employment. The concept and critique of UBI.
9. *The power of bottom-up initiatives in LED.* Examples of community-driven problem solving, civic engagement and non-violent resistance.
10. *Beyond growth.* Rethinking the concept of development. The idea of degrowth.

## Core readings

- Arnstein, S.(1969): A Ladder of Citizen Participation. *Journal of American Planning Association*, 35(4): 216–224.
- Bajmócy Z. & Gébert J. (2014): Arguments for deliberative participation in local economic development. *Acta Oeconomica*, 64(3): 313-334.
- Gaventa, J. (2006): Finding the spaces for change: a power analysis. *IDS Bulletin*, 37, 6, pp. 23–33.
- Gébert J., Bajmócy Z. & Málovics Gy. (2017): How to Evaluate Local Economic Development Projects from a People-Centred Perspective? An Analytical Framework Based on the Capability Approach. *DETUROPE*, 9(2): 4–24.
- Pike, A., Rodríguez-Pose, A., & Tomaney, J. (2007): What kind of local and regional development and for whom? *Regional Studies*, 41(9): 1253–1269.
- Sen, A. K. (1999): *Development as Freedom*. Oxford University Press, Oxford. (ISBN: 978-0385720274)

## Suggested further readings

- Blakely, E. J. & Leigh, N. G. (2010): *Planning local economic development. Theory and Practice*. 4th edition. SAGE Publications, Los Angeles, London, New Delhi. (ISBN: 978-1506363998)
- Deneulin, S. & Shahani, L. (Eds.). (2009): *An introduction to the human development and capability approach: Freedom and agency*. IDRC. (ISBN: 978-1844078066)
- Fainstein S. S. (2014): The just city. *International Journal of Urban Sciences*, 18(1): 1–18.
- Harvey D. (2003): The right to the city. *International journal of urban and regional research*, 27(4): 939–941.
- Healey P. (2010): *Making better places: The planning project in the twenty-first century*. Palgrave, Macmillan, Basingstoke (ISBN: 978-0230200579)
- Innes J. E. (2004): Consensus building: Clarifications for the critics. *Planning theory*, 3(1): 5–20.
- Marcuse P. (2009): From critical urban theory to the right to the city. *City*, 13(2-3): 185–197.
- Pike, A., Rodriguez-Pose, A. & Tomaney, J. (2006): *Local and Regional Development*. Routledge, London, New York. (ISBN: 978-1138785724)
- Samuels, J. (ed) (2005): *Removing unfreedoms. Citizens as agents of change in urban development*. ITDG, UK. (ISBN: 978-1853396069)
- Sen A. K. (2009): *The idea of justice*. Harvard University Press, Cambridge, MA. (ISBN: 978-0674060470)

## 1.4. Requirements

Students must accomplish both the seminar and the lecture part of the course. The successful accomplishment of the seminar is a prerequisite for the accomplishment of the lecture. For the successful accomplishment of the **seminar** students must attend the classes and carry out project works in teams (hold a mid-term and a final presentation). For the successful



accomplishment of the **lecture** students must (1) attend the lectures; (2) take part in the oral exam, and discuss a chosen topic with the examiner (see the list of available topics later in the 'Guideline for exam preparation' section). Oral exams take place in the exam period (one occasion each week). Students must register for the exams through the electronic system (Neptun).

### **The oral exam**

Students prepare for the oral exam individually. Students choose one of the eligible topics (see: 'Guideline for exam preparation'); gather, select and synthesize information on the given topic (see: 'Guideline for self-assessment') and discuss it with the lecturer at the oral exam.

### **Accomplishment of the seminar**

To accomplish the seminar, students will carry out **project works** in teams. The goal of the project is to evaluate local economic development processes in a foreign (not Hungarian) city/town. Teams have to prepare two presentations during the semester.

- Mid-term presentation (15 min): Choose the home town of one of the team members! You can choose another city or town too, but it is important that at least one of the team member is very well acquainted with the selected city or town. You should answer questions like: What are the main characteristics of the town from a geographical, a demographical, an economical etc. point of view? Why is this city special? Why did you choose it? What are the current development processes? What are the most urgent problems of this city? ... etc.
- Final presentation (20 min.): You have to evaluate the chosen city's development processes according to the learned perspectives. You can focus on one development project in the city or the whole process of local development. You will learn about the perspectives of evaluation during lectures and seminars.

During presentations, you will not only have to pay attention to the content but also to the quality of the presentation! You have to "sell" your work! The content and the quality of the presentations will both be evaluated.

### **Evaluation of the seminar work**

40 points:	Attendance, active participation (5 point per occasion, maximum 40 points)
20 points:	Mid-term presentation (fair presentation: 15 points, excellent: 20 points)
40 points:	Final presentation (fair presentation: 25 points, excellent presentation: 40 points)
Together:	Maximum 100 points

### **Practical grade**

0 – 50 points:	1 (fail mark)
51 – 65 points:	2 (sufficient)
66 – 75 points:	3 (average)
76 – 85 points:	4 (good)
86 – 100 points:	5 (excellent)

The groups are evaluated as units, meaning that everybody in a given team gets the same score (for instance every member gets 20 points for the mid-term presentation). The division of labour within the team is the responsibility of the members of the team! If a team has a problem with the division of labour between each other, they can report it to the seminar leader.

Each team must develop a project work that is the result of the team members own work. The general rules of plagiarism apply!

## 2. Guideline for exam preparation

*The present section provides a detailed guideline for exam preparation. It describes the details of the oral exam, explains the meaning of the exam marks and provides step-by-step assistance for the preparation. Before attending the exam, please go through the checklist provided by this guideline.*

### 2.1. General information about the oral exam

The exam is an oral exam. Students prepare for the oral exam individually. Students choose one of the available topics; they gather, select and synthesize information on the given topic (see: 'Guideline for self-assessment') and discuss it with the lecturer at the oral exam.

#### Registration

Students must register for the oral exam through the electronic system (Neptun). One exam date is provided each week in the exam period. In case of a failing grade, students must register for a new exam and appear again. In case a student would like a better grade, they can register for a new exam date (in line with the general exam regulations). In this case their grade will be based on their performance at the new exam.

#### At the oral exam

- The venue of the exam is displayed within the electronic system (Neptun).
- Please, be at the exam venue on time, so when a student finishes the next student can begin immediately.
- The duration of the exam is cca. 15 minutes per student.
- The exam grade is provided immediately once the exam has finished.
- After you received your grade, you may be asked to fill in an evaluation questionnaire about the course. The evaluation questionnaire is anonymous, filling it in is voluntary and you are only asked to do so after you received your grade.
- During the exam there are always at least three people in the office. This means that while one student is having her/his exam another student will also be in the office and prepare.

### Discussion with the lecturer

- Students will first be asked to briefly present which topic they choose and why, what are their main arguments about the issue (presentation part cca. 5 minutes). The lecturer will then ask questions or provide arguments on which students must reflect (discussion part cca. 10 minutes).
- Students are allowed to use their notes during the exam, but during the discussion they must react to the questions and arguments immediately.

## 2.2. Preparation for the exam

The curriculum is divided into two main parts. The **first part** provides aspects for the understanding and evaluation of local development initiatives and raises some fundamental dilemmas related to LED. This body of knowledge will be useful for any of the selected exam topics. The second part consists of various timely topics connected to local development. The aim of this part is to initiate discussion and motivate for further investigation.

Your **first task** is to gain a general understanding of the main arguments of the first part of the curriculum: For this purpose:

- Go through the slides for lectures 1 to 4;
- Go through the core readings;
- Read the 'Background learning material' and try to answer the questions appearing at the end of each chapter.

Your **second task** is to select one of the available topics and gain a better understanding in that one. For this purpose:

- Go through the slides of the relevant lecture and the notes you took at that lecture. Get familiar with the main arguments and the line of reasoning.
- Read the literature suggested on the last slide of the lecture. Try to connect it to the ideas you are already familiar with.

- Search for additional literature (e.g. on Google Scholar), collect interesting cases through the Internet. You can also think of cases in your own country. Collect news related to that topic. You can also search the newspapers from your own country.
- Try to answer the related questions in the 'Guideline for self-assessment'.
- Ask yourself how you could approach the issues from the perspectives provided by the 'Background learning material'.
- Try to synthesize this set of information. Develop your own opinion on the topic.
- Appear at the exam and take part in a discussion with the lecturer about your chosen topic. If you had carried out all the above steps you have nothing to worry about.

### Checklist

- Did I go through the slides of lectures 1 to 4?
- Did I read the 'Background learning material'?
- Do I have a general understanding about the first part of the curriculum?
- Did I choose one of the available topics?
- Can I explain the motivations of my choice?
- Did I read the slides of the relevant lecture and the suggested readings?
- Did I collect further information (papers, cases, news) about my topic?
- Did I think about how I could approach the issue from the perspectives provided by the first part of the curriculum?
- Did I form my own opinion about the issue (pros and cons, most interesting elements, dos and do nots etc.)?
- Did I register on Neptun for one of the exam dates?

### 2.3. The list of available topics

1. **Local development and poverty alleviation.** What is poverty? What is the poverty trap? Why is it a crucial issue in local development? What are the most important aspects of fighting against poverty?
2. **Cities and nature.** How the well-being of humans and non-humans are connected to each other? How does the natural environment affect health and well-being? Access to green areas.

3. ***Different forms of exclusion in LED (1): gender equality.*** What are the most important forms of exclusion in LED? What is the relevance of gender equality for LED? What do you consider to be the main problems in this field and what kind of solutions could you suggest?
4. ***Different forms of exclusion in LED (2): disability.*** What are the most important forms of exclusion in LED? What is the relevance of disability for LED? What do you consider to be the main problems in this field and what kind of solutions could you suggest?
5. ***Technological change, (un)employment and the concept of unconditional basic income.*** How may the digital age affect employment? What do you think of the concept of unconditional basic income?
6. ***The power of bottom-up initiatives in LED.*** What is the importance of community-driven problem solving and civic engagement in LED? What are the arguments lying behind non-violent resistance, what is the difference between civil disobedience, direct action and non-cooperation?
7. ***Beyond growth.*** Can well-being be increased without economic growth? What are the main arguments of the degrowth movement?

#### 2.4. Meaning of the exam grades

- ***Five (5): excellent.*** The student has in-depth knowledge of the chosen topic and proved her/his ability to collect, select and systematize information, learn individually or in cooperation with others, take part in discussions with the lecturer and deliberate different viewpoints on the issue.
- ***Four (4): good.*** The student has in-depth knowledge of the chosen topic, and proved her/his ability to collect, select and systematize information, learn individually or in cooperation with others. Reflecting on the aspects raised by the lecturer in the oral exam, or deliberating different viewpoints on the issue may cause some difficulties.
- ***Three (3): average.*** The student has sufficient knowledge of the chosen topic and proved her/his ability to collect, select and systematize information, learn individually or in cooperation with others. Reflecting on the aspects raised by the lecturer in the oral exam, or deliberating different viewpoints cause difficulties.

- **Two (2): sufficient.** The student has sufficient knowledge of the chosen topic and proved her/his ability to collect, select and systematize information, learn individually or in cooperation with others, but had difficulties in this respect. Reflecting on the aspects raised by the lecturer in the oral exam, or deliberating different viewpoints cause difficulties.
- **One (1) insufficient; failing grade.** The student does not have sufficient knowledge of the chosen topic and/or did not prove her/his ability to collect, select and systematize information, learn individually or in cooperation with others. The student was unable to reflect on the aspects raised by the lecturer in the oral exam, or deliberate different viewpoints.

### 3. Guideline for self-assessment

*In order to successfully accomplish the exam students are expected to choose one out of the available topics, gain an in-depth understanding of that topic; develop and form their own opinion. The objective of this guideline is to provide help in this task and a means for self-assessment. For this purpose, the present guideline:*

- *provides a brief description about each of the available topics;*
- *describes the main concepts you should be familiar with;*
- *suggests questions for self-assessment.*

#### 3.1. Local development and poverty alleviation

**Brief description:** Through local economic development cities strive to create well-being for all their citizens. However, the allocation of well-being is never equal. Certain citizens have systematically reduced opportunities to achieve valuable 'doings and beings'. They are excluded from the benefits of development. One particular form of exclusion is living in poverty. According to the capability approach poverty is not solely the lack of income, it should be understood as the lack of capabilities.

**Learning outcome (concepts you should be familiar with):** (social) exclusion; basic income and wealth inequality patterns worldwide; the understanding of poverty as capability deprivation; the meaning of the poverty trap; the aspects of fighting against poverty in the capability approach.

#### **Questions for self-assessment**

- *How would you link the issue of poverty to the core concepts of the course (well-being, social justice, participation and agency)?*
- *What does it mean to be excluded from development? What is stigmatization?*
- *What are the basic patterns of income / wealth inequality in the world?*
- *Why should poverty be understood as the lack of capabilities instead of the lack of sufficient income?*



- *What is the link between the causes and the consequences of poverty? What is the poverty trap?*
- *What are the main aspects of fighting against poverty according to the capability approach?*

### 3.2. Cities and nature

**Brief description:** The discourse around local economic development hardly ever identifies cities as eco-systems. Cities are actually habitats for both human and non-human species and operate as eco-systems. According to theoretical arguments and empirical evidence, the well-being of humans and non-humans are closely intertwined. Access to nature (within and outside the cities), and the way we think about and connect to nature has a huge impact on human well-being. The allocation of this element of well-being also raises inequality and justice issues.

**Learning outcome (concepts you should be familiar with):** the link between health and well-being; eco-system services (provisioning, regulating, cultural); the impact of access to nature to physical, mental and social health.

#### **Questions for self-assessment**

- *How would you link the issue of 'cities and nature' to the core concepts of the course (well-being, social justice, participation and agency)?*
- *What do you think is the relation between health and well-being?*
- *What kind of "services" do eco-systems provide for humans? Mention examples!*
- *What kind of evidence suggests that there is a link between access to nature and the physical, mental and social health of citizens?*
- *What do you think can influence the access to nature?*

### 3.3. Different forms of exclusion in LED: gender (in)equality

**Brief description:** Empirical evidence shows that the opportunities of women and men significantly differ on average. Their position in terms of income, job opportunities, participation and political representation (among others) differ. The capability approach provides a way to understand the roots of this inequality through a threefold analysis: (1) possession of the means; (2) factors of conversion that systematically put women into less advantageous positions; and (3) the valued doings and beings (how are the pursuits of men and women appreciated differently by the community).

**Learning outcome (concepts you should be familiar with):** the most common forms of (social) exclusion; basic facts of gender inequality worldwide; the possible explanation of gender inequality.

#### **Questions for self-assessment**

- *How would you link the issue of gender (in)equality to the core concepts of the course (well-being, social justice, participation and agency)?*
- *What does it mean to be excluded from development? What are the most common forms of exclusion?*
- *What do you think about gender inequality in the light of the capability approach?*
- *What is your opinion? How could men benefit from increased gender equality?*

### 3.4. Different forms of exclusion in LED: disability

**Brief description:** Citizens are heterogeneous, but development initiatives are often blind to this diversity and target the “average” by development. This may result in groups of citizens systematically being excluded from the process and outcomes of development. On top of this, they may also be subjected to various forms of oppression. One of the most widespread forms of material and cultural exclusion is related to disability.

**Learning outcome (concepts you should be familiar with):** the most common forms of (social) exclusion; the concept of disability; the difference between impairment and disability; the most common ways disabled citizens suffer from exclusion/oppression.

**Questions for self-assessment**

- *How would you link the issue of disability to the core concepts of the course (well-being, social justice, participation and agency)?*
- *What does it mean to be excluded from development? What are the most common forms of exclusion?*
- *What is the difference between impairment and disability?*
- *In what sense is disability spatially (and socially) constructed?*
- *Why is it important to understand the diversity of disabled people?*
- *How could local development become more just towards disabled citizens?*

### **3.5. Technological change, (un)employment and UBI**

**Brief description:** Unconditional basic income is connected to several issues that are in the heart of local economic development: (un)employment, the working of the labour market, income (in)equality and poverty. UBI is often claimed to be a solution for these challenges, however its capacity to actually tackle these challenges is debated. The present section critically assesses the concept of UBI, the relevance of the problems it addresses and the possible solutions it provides.

**Learning outcome (concepts you should be familiar with):** the concept of unconditional basic income (UBI); the main arguments in favour of and against UBI; the most common suggestions for financing a UBI.

**Questions for self-assessment**

- *How would you link the issue of 'UBI' to the core concepts of the course (well-being, social justice, participation and agency)?*
- *What is unconditional basic income?*

- *How do you think the UBI addresses the anomalies of the labour market? How does UBI draw attention to the need for a rethinking of the concept of work?*
- *What do you think about UBI's capacity to tackle poverty?*
- *Is UBI just or unjust in your opinion? Why do you think so?*
- *What do you think? Is UBI an objective or rather a means for change? Why?*

### **3.6. The power of bottom-up initiatives in LED**

**Brief description:** The opportunity for agency is a central issue in local development. Politicians, enterprises, large organizations may have considerable power to act. But what can citizens do to bring about change? In particular, what can they do when they feel their voice remains unheard during the development process? It is possible and very often effective to attempt to claim spaces (if it's not provided). The logic of claimed spaces differ from that of the closed and invited spaces. Instead of the aspect of "power over", the ability to bring about change is rooted in the aspect of "power with".

**Learning outcome (concepts you should be familiar with):** agency, spaces of power; the characteristics of the claimed spaces; main features and functions of civil society organizations (CSOs); the concept of social entrepreneurship; the forms of non-violent resistance.

#### **Questions for self-assessment**

- *How would you link the issue of 'bottom-up initiatives' to the core concepts of the course (well-being, social justice, participation and agency)?*
- *What are the main characteristics of claimed spaces? How do citizens usually claim spaces?*
- *What is a social entrepreneur? What do you think about the concept of social entrepreneurship?*
- *What are the main features and functions of the civil society organizations?*
- *What are the main forms of non-violent resistance? What do you think, can non-violent resistance be justified?*

### 3.7. Beyond growth

**Brief description:** The mainstream of local economic development concentrates on economic growth and competitiveness. However, the relation of increased growth / competitiveness and well-being is dubious. Moreover, the sustainability and meaningfulness of growth on a finite planet is widely questioned. Degrowth, beside being a provocative slogan and a social movement, has also become a scientific concept (a complex set of theories). The present topic addresses the concept of degrowth and how it could reframe the objectives of local economic development.

**Learning outcome (concepts you should be familiar with):** limits to growth; the aspects of degrowth (provocative slogan, social movement, set of theories); the levels of change (from individual to collective); examples of local initiatives that fit to the concept of degrowth.

#### **Questions for self-assessment**

- *Do you think it is necessary to question growth and competitiveness as main social objectives? Why / why not?*
- *What is degrowth (what are the three main aspects of the concept of degrowth)?*
- *On what levels could change be brought about? Please mention examples of change-inducing degrowth initiatives!*

## 4. Background learning material

*The present background material provides an introduction into the core curriculum. It is the summary of the first four lectures. Its aim is to provide a basic understanding of local economic development, its goals and basic questions and to provide an approach that enables students to ask questions, assess processes and form an opinion in connection with local development initiatives.*

### 4.1. The concept and goal of local economic development

The objective of this chapter is to provide an understanding about what local economic development is and why it is important to scrutinize the local level in a globalized economy. It also provides an introduction into the different ways to approach the concept of development.

“Most people would agree that the ambition [...] is to bring improvements to the qualities of places, with an eye to future opportunities and challenges. Disagreements then arise about what the critical place qualities are, what constitutes an improvement, whose improvements get to count and how to move from ideas about future possibilities to programmes of action.” (Healey 2010, p. ix.)

In a very broad sense, **local economic development** (LED) or local development examines how to make the places where people live worth living. Patsey Healey (2010), in the preface of her book “Making better places” brilliantly summarized the main ambition of this quest. She highlighted that it is very easy to agree with the statement that we would like “better” cities. However, to assign exact meaning for the word “better” is not at all easy; it may even seem to be impossible. In this background learning material, we intend to provide assistance for approaching such a question. We embrace three different sets of arguments regarding “better”: (1) it is better because it implies increase in citizens’ well-being; (2) it is better because it furthers justice; (3) it is better because citizens can take part in the development process.

This introductory paragraph already suggested that local economic development is a highly complex issue. It is at the crossroads of economics, geography, planning, sociology and political sciences (just to mention the most important ones). When dealing with local

economic development, we have to embrace a huge variety of issues. For example, we can focus on issues such as well-being or the working of communities; we can focus on topics related to production, labour market, trade, growth or competitiveness; or we can attempt to analyse or inform policy making.

As citizens we most often encounter LED in the form of development projects and initiatives. For example, the attraction of foreign investors to large industrial sites, the revitalization of old industrial districts in the city, the construction of bike lanes, the fostering of local food sovereignty, creating community places or developing training and schooling programmes. To provide a concrete example, the local government of Szeged considers the following areas to be the most important areas of local development in the near future:

- ELI-ALPS science park and business incubator;
- Tram train to Hódmezővásárhely and Makó (involving the building of new bridges on the river Tisza);
- Intermodal public transportation node;
- New bridge on the river Tisza for pedestrians and cyclists;
- The development of the electric public transportation;
- New swimming pool and sports hall;
- Upgrading of the riverside;
- The reconstruction of Széchenyi square and the city park (Liget).

#### *4.1.1. Why local?*

Today, almost all of the cities face such (global) challenges, which they cannot or can hardly affect. A significant part of the economic output is produced by trans-national corporations in a way where production activities embrace several countries; the financial system has become highly global; the role of international organizations (e.g. European Union, World Trade Organization) has increased; and new technologies emerge and diffuse rapidly.

So, why is it important to focus on the local level in a globalized world economy? The brief answer is that location matters. Some think that it matters even more than before. What we see is the re-shaping of the relative importance of the territorial levels. The importance of the global and the local levels has increased at the expense of the national level. Local

economic development is basically the specific (context-dependent) answer locations try to provide to the challenges of the globalized economy.

Therefore, the spatiality of today's economic processes can be characterized by the duality of **globalization and localization** (Porter 1990). On the one hand, what we see is a globalized economy. We see transnational enterprises competing with global strategies. They have access to resources from all over the world and they are very mobile in the sense that they can easily relocate many of their activities (first of all their production sites). We have a global financial system. We have international integrations such as the European Union or the North Atlantic Free Trade Association; and we have technology spreading very quickly throughout the world.

On the other hand, it seems that location still matters. We have huge inequalities between different locations. Different regions perform very differently with regard to economic indicators and a lot of social indicators. There are huge differences in GDP per capita, in employment rates, poverty rates and so on. We can see that neither economic activities nor the ability to create well-being are evenly distributed across locations. We witness a huge concentration and agglomeration of these abilities.

For example, in the European Union metropolitan areas that cover about 20% of the surface of the EU concentrate 70% of the economic performance; the GDP per capita of the places are 114% of the EU average.

This globalized world, where location still matters, can be characterized by a deep tension. Basically it is exactly this tension to which cities attempt to provide answers through their LED activities:

- On the one hand, the ability to produce income and provide jobs became highly mobile in space. Enterprises can easily relocate thousands of jobs and billions of dollars of production.
- On the other hand, cities need income and jobs, and they need to become places worth living at here and now.

In other words, certain "ingredients" that are necessary to provide well-being for the citizens became mobile. However, the need to provide well-being remained immobile. This challenge implies two different strategies for adaptation (often a combination of these two). Either cities try to navigate in the global economy (try to find a place for themselves in the



global division of labour); or they attempt to re-localize certain functions (try to make their ability to provide well-being disconnected from the global processes). Of course, re-localization is mostly a partial strategy. But still, with regard to certain functions it may make sense to be independent from the volatile international conditions; e.g. the ability to provide fresh food for the citizens, or to have local control over energy production.

Under these circumstances we may claim that there are numerous reasons why focusing on the local level is vital even in a globalized economy. The main arguments are the following:

- many important influencing factors of being able to provide well-being for citizens remained local;
- most frequent spatial paths (e.g. from home to work / school) are local;
- the vast majority of our social and economic networks are local;
- location plays a very important role in identity forming; and
- the ability to bring about change is mostly connected to the local level.

#### *4.1.2. What is local economic development?*

Let me first use a metaphor to demonstrate the approach and focus of local economic development. Let us imagine the local economy as a **sailboat**. Very important problems may occur within the sailboat. For example, we have to find a good division of labour in order to be able to fulfil all the necessary tasks of sailing. We also have to find a good allocation of people within the boat. If all the people are situated in one side of the boat, it will capsize.

Evidently, we have to solve these issues in order to be able to sail. However, it is often argued that the approach of LED is different. If we focus on development, we are more inclined to pose other sorts of questions. For example, where to go; or what is the speed of the boat?

The mainstream of contemporary LED approaches is actually obsessed with the problem of speed. The majority of today's arguments around LED makes suggestions about the ways to increase the speed of the boat (and hardly devotes attention to the destination and further possible questions). However, we should note that reality will not bypass these further questions. We cannot suppose that all the people on the boat would necessarily agree on the "where" and "why" to sail exactly. It is also vital with whom we are sharing the same boat with. How to solve the possible conflicts emerging from the fact that we ought to spend a lot of time together? People may also like sailing to different extents. And what should be done

if we see “man overboard”? Is this a boat for everyone? Recently these kinds of questions have gained increased attention in the literature of LED. As Pike et al. (2007, p. 1255) formulated this:

“The historically dominant focus upon economic development has broadened, albeit unevenly, to include social, ecological, political and cultural concerns.”

If we survey the literature of local economic development for definitions, we will find a very broad formulation of **objectives**. It is most often argued that the aim of LED is to improve citizens’ welfare, well-being, quality of life or standard of living. Further principles, such as sustainability or equity also occur in these definitions.

*Box. 1. The objectives of local economic development*

According to the World Bank (Swinburn et al. 2006, p. 1.): „The purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the **quality of life** for all.”

According to Blair and Carroll (2009, p. 13.): “Economic development implies that the **welfare** of residents is improving. Improvement might be indicated by increases in per capita income. However, economists recognize that income alone is an incomplete indicator of how well residents of a region are doing. Many other quantitative and qualitative factors are associated with welfare: quality of life, equity and sustainability.”

According to Blakely and Leigh (2010, p. 75.): “Local economic development is achieved when a community’s **standard of living** can be preserved and increased through a process of human and physical development that is based on principles of equity and sustainability.”

Note: emphasis added by the author of this learning material

However, we must note, that the above core concepts regarding the fundamental aim of LED remain undefined, and in most of the cases they are not further analysed. We can see

that these broad aims are translated into much narrower categories when describing what LED actually does. We can see that economic growth, employment and productivity have been in the forefront of LED. Recently these categories have been recombined into the concept of competitiveness (Capello 2009).

*Box. 2. The objectives of LED translated into working definitions*

According to the World Bank (Swinburn et al. 2006, p. 1.): LED is a process by which “public, business and non-governmental sector partners work collectively to create better conditions for **economic growth** and **employment** generation.”

According to Storper (1997): “the local and regional search for prosperity and well-being is focused upon the sustained increases in **employment, income** and **productivity**.”

According to Armstrong and Taylor (2000): “**wealth creation** and **jobs** have historically been at the forefront of describing what constitutes LED.”

Note: emphasis added by the author of this learning material

Recently, the underlying presumptions of the growth- or competitiveness-centred approaches have been repeatedly questioned. Several theorists and practitioners have argued that today’s global challenges require a broader perspective. It is not possible (and undesirable) to ignore the broader political and social issues that affect the quality of life in a community (Blair and Carroll 2009). A holistic approach with increased attention on well-being and the “development for whom” question; a “political renewal” of LED is needed (Pike et al. 2007). This means that as soon as we identify that our main questions are “what is development”, “development for whom”, LED inevitably begins to embrace ethical and political issues.

To summarize what local economic development is, we propose the following **definition**: LED is deliberate public intervention into local economic processes in order to bring about better situation for the citizens.” This broad definition has at least four elements and an implication that requires further clarification:

- LED must have an understanding about the nature and role of **economic processes**. For the purpose of analysis, it can be fruitful to focus our attention on the economic subset of society. But in case of planning and implementing interventions, we always encounter the enormous heterogeneity of real life. When we intervene into real life processes, we must be aware of the fact that all economic processes are social and environmental as well. If we attempt to bring about change in the economy, we will bring about change in the society and the environment as well.
- LED must develop an understanding about the concept of **local**. We must ask what makes development local? Is it local because it takes place in a specific location, or is it local because it builds on the knowledge, skills, values and interests of the local actors; it could not occur without the active contribution of the local actors?
- LED is considered to be **public** intervention. This means that LED is always concerned with a group of actors or the whole community (the common good), instead of the marginal interest of individuals or enterprises.
- LED is considered to be a **deliberate** action. This means that the intervention has a specific objective.

The latter has a vital implication. LED is inseparable from the question regarding the objective. LED always provides some kind of answer to “what is meant by better”. Very often this answer remains hidden under categories such as growth or competitiveness. We argue that the first task when dealing with LED is exactly to approach this fundamental question and arrive to an explicit understanding about the concept of “better”. Therefore, we believe, the **fundamental questions of LED** are the following:

- What do we mean by better (when we argue that LED should result in a better situation)?
- Better for whom (when do we consider a situation better for the community as a whole)?
- Who can decide what better means and how (are the above questions technical or ethical)?

#### 4.1.3. *Two approaches to development*

According to the Nobel laureate Amartya Sen (1999), tensions between the various approaches of development are very often rooted in the difference in understanding development. In his book “Development as freedom” he made a distinction between two characteristic ways to look at the development process: the “friendly” and the “fierce” views.

##### *Box. 3. Different attitudes to the process of development*

Sen (1999), when talking about the means and the ends of development, began with a distinction between two general attitudes to the process of development. He argues that these attitudes can be detected both in the scientific literature and the public discussions and debates. In his own words:

“One view sees development as a ‘fierce’ process, with much ‘blood, sweat and tears’ – a world in which wisdom demands toughness. In particular, it demands calculated neglect of various concerns that are seen as ‘soft-headed’ (even if the critics are often too polite to call them that). Depending on what the author's favorite poison is, the temptations to be resisted can include having social safety nets that protect the very poor, providing social services for the population at large, departing from rugged institutional guidelines in response to identified hardship, and favouring – ‘much too early’ – political and civil rights and the ‘luxury’ of democracy. These things, it is argued in this austere attitudinal mode, could be supported later on, when the development process has borne enough fruit: what is needed here and now is ‘toughness and discipline.’ [...]

This hard-knocks attitude contrasts with an alternative outlook that sees development as essentially a ‘friendly’ process. Depending on the particular version of this attitude, the congeniality of the process is seen, as exemplified by such things as mutually beneficial exchanges (of which Adam Smith spoke eloquently), or by the working of social safety nets, or of political liberties, or of social development – or some combination or other of these supportive activities.”

Sen highlighted a genuine difference between the two approaches. What can be seen as factors hindering (or at least) slowing down the development process in the first case, are actually achievements, which we strive for. If we decide to cut back on social expenses or basic liberties in order to boost economic performance we may sacrifice the very goals which the whole process was aimed at.

Today the **dominant way** to approach local economic development is close to what Sen called the “fierce” view. This approach focuses mainly on the performance of the economy. It acknowledges that development is a complex process but it also presumes that income and wealth surely make people better off. Therefore, focusing mainly on income and wealth is a legitimate approach, because everybody needs these to make ends meet and the more they have the better off they are.

So in this view, the **main endeavour** is to boost the economic performance. Of course, if we arrive to the point where the level of income is high enough, we start to distribute the fruits of development among the community members, and start to devote resources to such expensive things like social security or environmental protection. But here and now the main task of LED is to focus on the indicators of economic performance and try to increase them.

The main **actors**, who we focus on in this view are of course the actors of the business sector and the local government. In line with the main endeavour (to boost economic performance), the upgrading of the local entrepreneurial environment and an increase in the effectiveness of business operation are the main goals of development initiatives.

In contrast to this view, we can approach LED in a way that is closer to the friendly view expressed by Amartya Sen. This **alternative approach** to LED focuses on the situation of the citizens. This approach begins with asking what are the goals of the community we attempt to further through LED? This approach argues that development is a complex process and we should understand this complexity instead of reducing it to a few indicators.

So in this view, the **main endeavour** is to understand what constitutes citizens’ well-being and how is it possible to contribute to this. Economic performance is of course important, but only to a point it actually makes people better off. Increasing the economic performance on the expense of other important elements of well-being cannot be easily justified in this case. So instead of growth and competitiveness, the main concepts are human flourishing and well-being.

The **main actors** within this view are the citizens, who are diverse. Citizens may consider different things valuable. LED must navigate in such a complex reality. Of course, further actors also play an important role, such as: government, enterprises, social entrepreneurs, education and research institutions, agencies, non-governmental organization (NGOs) and civil society organizations (CSOs). But the objectives of LED are basically related to the citizens and not the enterprises.

*By learning this chapter, you should be able to answer the following questions:*

- 1. What does it mean that today's economy is characterized by the duality of globalization and localization?*
- 2. What are the main arguments for focusing development on the local level in a globalized economy?*
- 3. What is local economic development?*
- 4. What are the fundamental questions of local economic development?*
- 5. What is the difference between the „friendly“ and the „fierce“ view of development?*

## 4.2. Local development and well-being

The objective of this chapter is to conceptualize well-being for local economic development. We consider the results of LED initiatives better for the citizens, if they increase well-being. The chapter provides an overview of the most important approaches of well-being and analyses the link between the individual and the collective level (well-being and common good). It argues that the capability approach has several advantages compared to other possible approaches of well-being due to its broader informational basis.

“Economic growth cannot sensibly be treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy.”  
(Sen 1999, p. 14.)

Local economic development is expected to result in a better situation for the citizens. It is very easy to agree with this statement. Who would argue for a development project or public policy, which results in a worsened situation? But it is equally easy to be puzzled by the exact meaning of the term “better”. What does “better” mean exactly? Is there a single valid answer to this question? Who can decide?

A usual common-sense answer to this question is to state that better means **increased well-being**. In this chapter we analyse this line of reasoning. We expect LED initiatives to contribute to the well-being of citizens. But this immediately implies further questions: (1) what is well-being, what constitutes the well-being of a citizen; and (2) what is the relation between individual and collective well-being, how can we arrive from a concept of well-being to a concept of “common good”?

### 4.2.1. *Different views on well-being*

The question of “what constitutes well-being” has been in the forefront of social philosophy and also economics for a very long time. In the following, we will review three very influential views that provide different points of entry to this field of inquiry. Let us begin with an illustration borrowed from Sen’s (1999) book “Development as freedom”.



#### Box. 4. Different views on well-being

Sen (1999) illustrated the different views on well-being with the story of a woman who wants to hire a worker to clear up her garden. In the story the job cannot be assigned to more than one worker, so she can only pick one of the applicants. And she wants to make a good decision.

The woman finds out that one of the three applicants is the poorest of them all. She thinks that “what can be more important than helping the poorest?” But then she also gets to know that another one of the applicants has become poor only recently. While the other two are used to poverty (that is how things have always been), she got really depressed. Now, the employer thinks “surely removing unhappiness has to be the first priority.” Then she is also told that the third applicant suffers from chronic illness and could cure herself with the help of the income she would receive for the job. The employer thinks that hiring this third applicant “would make the biggest difference to the quality of life and freedom from illness.”

“The woman wonders what she really should do. She recognizes that if she knew only the fact that [one of them] is the poorest (and knew nothing else), she would have definitely opted for giving the work to [this applicant]. She also reflects that had she known only the fact that [the other one] is the unhappiest and would get the most pleasure from the opportunity (and knew nothing else), she would have had excellent reasons to hire [this applicant]. And she can also see that if she was apprised only of the fact that [the third one’s] debilitating ailment could be cured with the money she would earn (and knew nothing else), she would have had a simple and definitive reason for giving the job to her. But she knows all the three relevant facts, and has to choose among the three arguments, each of which has some pertinence.” (Sen 1999)

Sen’s example highlights that various sets of information may be relevant when assessing the well-being of individuals. We may have a good reason to pay attention to the income situation, but we also have a good reason to consider information about happiness or health. The difference between the various views of well-being basically lies in the set of information they consider to be relevant (and irrelevant) for well-being. In other words, approaches differ in their **informational basis**.

According to Sen (1995, p. 73), “the informational basis of a judgement identifies the information on which the judgement is directly dependent and – no less importantly – asserts that the truth and falsehood of any other type of information cannot directly influence the correctness of the judgement.” This practically means that in any evaluation procedure we necessarily consider and necessarily exclude certain sets of information.

We may think that the informational basis of our evaluative judgement is adequate when the following statement is true. If we get to know a new set of information, that would not change our decision. In other words, if a new set of information would potentially be relevant (it could change our decision), then our informational basis is not yet adequate, we have not considered enough pieces of information yet.

In the following we provide an overview of three influential approaches to well-being, which differ in their informational basis. These are: (1) utilitarianism, (2) the concept of primary goods put forth by John Rawls, and (3) the capability approach of Amartya Sen.

**Utilitarianism** is undoubtedly the most influential approach in economics. The utilitarian understanding of well-being is deeply rooted in classical and neo-classical economics, it is also the approach presented by economics text-books.

Utilitarianism is a consequentialist philosophy. What matters here are the consequences of actions: the utility gain that can be realized as a result. Certain utilitarian theories regard utility as a mental state (e.g. happiness). Followed by the influential arguments of Lionel Robbins (1938), nowadays utility is rather understood as a numerical representation of preference satisfaction.

Focusing our attention on utility has, of course, several merits. First of all, being sensitive to the consequences seems to be very important. Furthermore, utilitarianism provided an easy way for economics to formalise and to build mathematical models. Additionally, this approach does not place any constraints on what a rational individual may prefer (people may consider different things to be good). For this reason, economists can be neutral about the content of the individual’s preferences (*de gustibus non est disputandum*). However, utility as an informational basis for well-being is in many respects problematic (Rawls 1971; Sen 1979, 1999; Hausman and McPherson 1996):

- Preferences may change and may even be consequences of manipulation.
- People may adapt to their disadvantageous position and so their desires are in line with their detrimental situation.

- Tastes may be “expensive” or “offensive”. For example, while some people are satisfied with eating cheap food, others are distraught without extraordinary and expensive goods. And there exist preferences that are satisfied by worsening others’ positions (sadism, racism, etc.).
- Should the standard interpretation of utility be taken literally, we could not make a difference between the satisfaction of past (currently non-existing) and current preferences.

There is a further problematic aspect of utility. While the concept of utility works very well in the theoretical models of the text-book, it is quite difficult to handle in empirical analyses. Economists actually tend to use **real income** instead of utility in their analyses. Real income is supposed to be a good proxy for utility (preference satisfaction), since more income allows people to satisfy more preferences. However, this version of the utilitarian approach raises further criticism, which we will touch upon later in this chapter.

Therefore, there are strong arguments that utilitarianism does not consider enough information, the informational basis of utilitarianism is too narrow. These criticisms were to a large extent formulated by John Rawls (1971, 2003) who came up with the concept of primary goods), and Amartya Sen (1979, 1995, 1999) who developed the capability approach.

The concept of **primary goods** was developed by John Rawls (1971) as an element of his “Theory of Justice”, and then refined in his later works (Rawls 1982, 2003). Rawls argues that people may value different things in life but irrespective of the individual’s concept of good life, there are certain (very similar) things that all individuals require (no matter what else they require).

These are multi-purpose goods, which are useful for the realisation of any objective. Rawls called them primary goods. Such primary goods are (1) basic liberties, (2) freedom of movement and choice of occupation, (3) powers and prerogatives of offices and positions of responsibility, (4) income and wealth, and (5) the social bases of self-respect.

In Rawls’ approach real income (a central category for utilitarian evaluation) is important but not sufficient when assessing the well-being of a citizen. Further aspects, such as basic liberties, rights or social bases of self-respect also gain attention. In this view the well-being of citizens is judged by the amount of the primary goods they possess. That is the informational basis of evaluation.

#### 4.2.2. The capability approach

Amartya Sen (1999) acknowledges the merits of both utilitarianism and the concept of primary goods, but argues that both of them have informational bases that are too narrow. He states that primary goods are not equally, objectively good for every member of society. He argues that our ability to actually use them to further our ends in life may depend on several circumstances. On this basis, Sen put forth the idea of the **capability approach**, which has been further developed by numerous scholars since (e.g. Nussbaum 2000; Robeyns 2005, 2006).

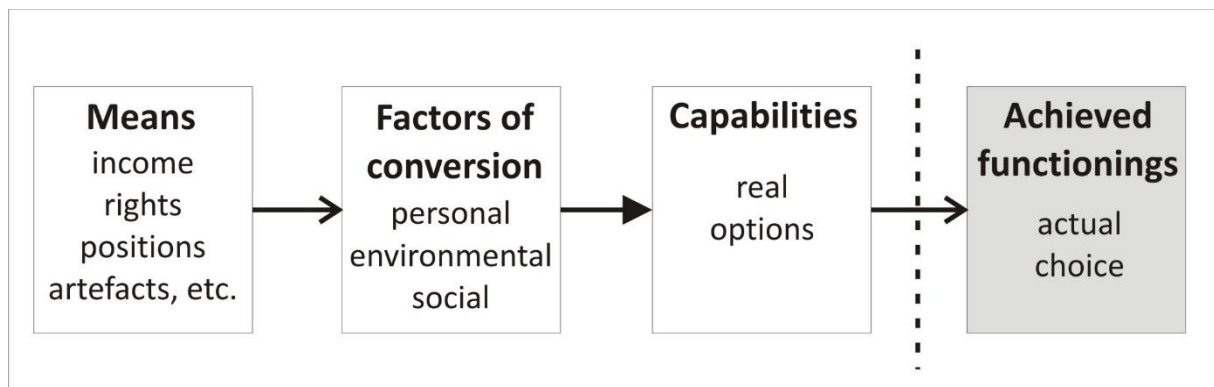
The capability approach conceptualises well-being as the “*freedom to lead a life one has a reason to value*” (Sen 1999). Well-being in this approach is assessed by the sort of life people can actually live. Sen (1999) makes an important distinction between the means and the ends of development (in other words the means and the elements of well-being). He argues that people do not purely aspire for possessing means in life, they rather aspire for achieving valuable “doings and beings” (functionings). Doings and beings can be simple things such as eating out, buying a book, or more complex like participating in the life of the community, being healthy or having a meaningful job.

Similarly to the former approaches, the capability approach acknowledges that people may deem different things valuable. But it also argues that the concept of good does not solely depend on the consequences. We may judge doings and beings regardless to their consequences. On this basis, the most important components of well-being in the capability approach are the following (Sen 1999):

- (1) **Capabilities.** These are the valuable doings and beings people can actually achieve. So in the CA the focus is on the valuable doings and beings (*functionings*) people have the opportunity to carry out / achieve. In the CA it is very important that people have the opportunity to choose from available options. This means that capabilities are options that are available. Some of these will be carried out by the individual, while some of these will not.
- (2) **Means.** People need various means to be able to achieve their goals (the valuable doings and beings). These means can be manifold (similarly to Rawls’ primary goods concept); e.g. income, wealth, positions, transparency, political freedom, artefacts etc.

(3) **Factors of conversion.** There may be several factors that hinder people in actually using their means. These factors can be personal, environmental or social, e.g. personal heterogeneities (illness, age, etc.); environmental diversities (how much resources we need for heating, clothing, or for defence against natural disasters, etc.); accessibility and quality of public services; differences in relational perspectives (to what reference group we compare our position); and distribution within the family.

*Figure 1. A simplified representation of the concept of capability*



*Source:* own construction based on Sen (1999) and Robeyns (2005)

One of the most important contributions of the capability approach is the introduction of the concept of conversion factors. This way, instead of focusing on the possession of means (primary goods), the capability approach analyses how they can be actually used (what they do to people). Due to the diversity of citizens, the same set of means may lead to substantially different life opportunities. For example, a person who is healthy and owns an apartment may achieve a much larger set of “doings and beings” from the same amount of money than another person who has to spend for treatments and medication and also shares her income with her two children.

Another very important trait of the capability approach is the distinction between capabilities and actual achievements. The approach focuses on capabilities (real choice options) instead of actual achievements. This is because people may assign value to the fact that they can choose, they can make decisions in their life. Very often the value of a “doing or being” lies in the very fact that there would be an alternative. Sen (1999) clarifies this through a very simple example. If we focused on the things people actually choose to do/be, then we could think that a poor person is in the same position as Mahatma Gandhi pursuing hunger

strike – neither of them eat sufficient food. But they are obviously in a different position, since Gandhi had the opportunity to eat (otherwise it would not make any sense to be on a hunger strike).

Let us demonstrate the logic of the capability approach through the following example. A possible “doing” one might deem to be valuable is to go to work by bike. So the question is whether it is a real option for the person, as in can she really choose to go to work by bike or not? For this purpose, of course, she needs certain means. She needs a bike, or income to be able to buy a bicycle. But having a bike does not necessarily imply that she has the opportunity to go to work by bike. Maybe it is not safe to travel by bike in the city, so she may be afraid of being hit by a car. Or maybe her husband already left for work, and she has to take the children to school. Or maybe she is a single mother so it is always the case. Under these circumstances going to work by bike is not an actual option. So what is needed to be able to achieve valuable doings and beings is the possession of (the adequate) means and that factors of conversion do not hinder the opportunity for doings/beings.

This also has very important consequences for development policies. If we continue the above example, let us assume that the city would like to further citizens’ ability to go to work by bike. If LED focuses attention on means, than a possible direction of development could be furthering real income growth so that people may have the ability to buy bicycles; or another possible direction could be building bike roads and lanes. If factors of conversion are also considered we may identify various motivations for biking, which result in various expectations towards an adequate infrastructure. We may also realize that it is not enough to build some bike lanes. The whole path from home to work should be safe and accessible. A route where 90% has very good bike lanes and 10% is seriously dangerous will not be useful. And certainly, if we focus our attention on capabilities (valued options), the first questions to be asked will be: what are the most valued ways of mobility in the city, and for whom? Should we build a city for cars, pedestrians or bikers? Or should we prioritize public transportation?

We already detailed three main building blocks of the CA: means, factors of conversion and capabilities. This should be supplemented by another one, which is called **agency**. The capability approach considers citizens to be active contributors of the development process: agents, instead of patients. “*Agency is the opportunity to pursue our own goals*”, to further our own ends, to actually *lead* a life one has a reason to value (Sen 1999, Robeyns 2005).

Agency is thus an important capability, an option that we deem to be valuable. The concept of agency also implies that we attempt to lead a life we have a *reason to value*. This means that we had the opportunity to discuss ideas and values, to persuade others and to be persuaded by others. So our point of view on “good life” takes into consideration others’ opinion, the consequences of our actions on others etc. This is why the CA makes difference between participation and deliberation, and argues in favour of deliberation (Chambers 2003, Bajmócy and Gébert 2014):

- **Participation** means directly taking part in social decision making. Participation does not necessarily attempt to discuss and deliberate the preferences of the participants. It mainly attempts to aggregate these *ex ante* given preferences through procedures such as voting.
- **Deliberation or deliberative participation** provides an opportunity to discuss ideas, persuade others, or be persuaded by others. It is a form of discursive participation where individuals can develop and express their views, learn the positions of others and have the opportunity to revise their convictions and values in political decision-making.

In the capability approach **agency is vital for at least two reasons**: (1) it has an intrinsic value. As an opportunity it may be important for the person. In democracies we usually deem the ability to influence decisions that affect us important. (2) It also has an instrumental value. It is important as means, which may help us foster the emergence of more beneficial outcomes. By taking part we increase the probability of being benefitted by the development initiatives.

By participating, actors do not solely bring their values and interests into the process of LED (the planning, the implementation and evaluation of LED). Thus, participation is not just a political act. It also allows them to bring their knowledge into the process and mould new ideas and solutions in cooperation with others.

Choosing the capability approach as an informational basis for assessing well-being has advantages compared to the other two approaches. Its informational basis is wider, it embraces elements that are missing in the alternative approaches (how means can actually be used; how doings and beings are valued beyond their consequences; how citizens are agents instead of patients of development). If we accept that the wider the set of relevant

information it builds on the better the evaluative process is (in an ethical sense), than we can argue that the capability approach provides a better ground for assessing well-being than utilitarianism or the concept of primary goods.

#### *4.2.3. From well-being to common good*

The next question we must address with regard to well-being is how to assess changes on the collective (community) level. How can we link well-being to the concept of common good? Under what circumstances can we state that a LED project resulted in a better situation for the community as a whole?

First, let us differentiate the different kinds of shifts in the well-being of the citizens. Logically, there are **three different cases**. These are the following:

- (1) due to the development initiative all the members of the community arrive to a better situation (in other words, everyone will be better off);
- (2) due to the development initiative no one arrives to a worse position, while at least some arrive to a better position (in other words, some will be better off and no one will be worse off);
- (3) due to the development initiative some citizens arrive to a better situation, while others arrive to a worse situation (in other words, some will be better off and some will be worse off).

In the **first case** it would be very easy to make a judgement about the LED initiative on the community level. It resulted in a better situation for all the individuals, therefore we can be sure that it was desirable for the community as a whole. The **second case** is very similar. Actually, this is a broader version of the first one. This formulation of a situation plays a very important role in economics (it is called a “Pareto-efficient” shift). Again, it is easy to make a judgement on the community level: we can be sure that the LED initiative was desirable for the community.

But if we have a closer look, even these two cases unfold to be a little more complex. Common sense would tell us that the allocation of the gains is not indifferent for the judgement of the results. People perceive their situation in comparison to others (Layard 2006). For example, let us think of a person whose colleagues receive a raise and his salary



remains unchanged. This is Pareto-efficient change; no one is worse off. But the person may not consider his position unchanged but rather worsened.

Furthermore, in reality we can hardly see development projects that would suffice the presumptions of cases (1) and (2). LED projects usually affect a number of different actors in various ways. Different actors may perceive the project from different angles. Therefore, we argue that LED is basically concerned with the **third case**, when due to a development project some will be better off while some will be worse off.

How can we make a judgement about the desirability of such an intervention for the community as a whole? In order to do so we must carry out **interpersonal comparison**. This means that individual gains and losses in well-being must be somehow compared to be able to say something about the community level. The utilitarian approach suggests us to compare gains and losses in utilities. Rawls' theory suggests that we should compare gains and losses in primary goods. The capability approach suggests that we should analyse the shifts in people's capabilities.

*Table 1.* Different approaches to individual well-being and the common good

	<b>Utilitarianism</b>	<b>Primary goods</b>	<b>Capability approach</b>
<b>The informational basis of interpersonal comparison</b>	Utility (real income as a proxy for utility)	Primary goods	Capabilities
<b>How interpersonal comparison is carried out</b>	Gains and losses are bought to a common denominator (real income)	Gains and losses are bought to a common denominator (primary goods)	Through open public debates
<b>Are external observers (e.g. experts) able to decide if a shift was desirable for the community</b>	Yes	Yes	No

*Source:* own construction

How can interpersonal comparison be carried out in the three cases? Let us first begin with **utilitarianism (or welfarism)**. Actually, one of the main problems of welfare economics unfolded decades ago with regard to this very question. Understanding well-being as utility shuts the door for interpersonal comparison (Hausman and McPherson 1996). Either we consider utility to be a mental state or the numerical representation of preference satisfaction we do not really have a way for comparison (how to compare the mental states or the preference maps of different individuals).

Economists came up with two different solutions. The first solution was to by-pass the question and only talk about cases (1) and (2), where interpersonal comparison does not have to be made. This was the point when the idea of Pareto-efficiency became popular in economics.

The second solution was to bring gains and losses to a common denominator (most likely real income). As we mentioned earlier, **real income** is supposed to be a good proxy for utility (preference satisfaction), since more income allows people to satisfy more preferences. Then what has to be compared are the gains and losses in real income. This solution was suggested by Kaldor (1939), Hicks (1939), and Scitovszky (1941). In this case a shift is desirable if winners could compensate for the loser (and losers could not bribe the winners to avoid the shift).

In other words, the results of a LED project generate more gains than losses in real income. On the community level this means that when the community increases its wealth (income) on the whole, it will surely arrive to a better position. Actually this is the common line of reasoning in favour of economic growth. The problems with this argument are the following (Sen 1979, Hausman and McPherson 1996):

- It is not obvious that more income always brings people into a better situation. For example, empirical evidences suggest that after a certain level more income does not affect happiness or life satisfaction anymore (Layard 2006). The level of actual and desired income rise hand-in-hand (the more we have the more we need to feel satisfied). The rise in the per capita income of a country does not necessarily affect the proportion of those being happy or satisfied with their life.
- The presumption that the same amount of income (the same amount of goods) provide the same utility for everyone is arbitrary. In other words, the same amount of income gains /losses may result in different levels of well-being gains/losses for different people.
- There is a bias against the preferences of the poor. This derives from the fact that preferences are weighted in money and the poor's willingness to pay may be different from the rich's because the former has less income to spend.
- Apart from the possessed goods each potentially valuable aspect, such as the access to public services, personal abilities, rights and freedom, is given a zero weight.

All in all, the utilitarian evaluation focuses on the welfare consequences and neglects a bunch of aspects that may be relevant when thinking about well-being. For example, the allocation of gains and losses seems to be irrelevant. In case, per capita income rises, winners would be able to compensate for the losses. But this does not mean that they will actually compensate (Sen 1999). In other words, overall gains can be allocated among the citizens in many ways. Do we really consider the following situations to be equivalent: (a) the richest one percent of the population gains a lot and the other 99 percent loses a little; (b) all the members of the community gain a little; (c) the richest one percent gains a lot, the position of the majority remains unchanged while the poorest 10 percent loses a considerable amount? These three cases may be equivalent if we only focus on aggregate per capita income change. But most of the people probably would not consider them to be equivalent situations.

The concept of **primary goods** arose from the above dissatisfaction with real-income based comparison. It provides a much broader informational basis for interpersonal comparison. When widening attention from income to all kinds of primary goods, the comparison becomes complex. But theoretically, primary goods may serve as common denominator for comparison just like real income. Being a complex and difficult task, but theoretically it is possible to compare gains and losses in primary goods and draw a balance. However, we must note, that this was not the intention of John Rawls. Rawls (1971) developed this concept as an element of a justice theory, and this justice theory has a clear argument about the desirability and undesirability of a shift. In this case the basis for the judgement is linked to the issue of justice and not well-being. We will demonstrate this argument in the next chapter.

Choosing the **capability approach** as an informational basis for interpersonal comparison, the complexity of this task becomes apparent. Capabilities cannot serve as a common denominator for comparison in the way real income or primary goods (theoretically) can. The capability approach inevitably makes us realise the necessity of value-choices and it also makes them explicit. In the evaluation process, the community has to specify the set of valuable doings and beings (functionings) and their relative importance. This also means that in the CA interpersonal comparison (setting the objectives of the LED) cannot be carried out without open public debates (by an “objective” external observer).

*By learning this chapter, you should be able to answer the following questions:*

- 1. What do we mean by the informational basis of an evaluation?*
- 2. What are the main criticisms of understanding well-being as utility?*
- 3. What are the primary goods?*
- 4. What are the main building blocks of the capability approach?*
- 5. What is agency, and what is the importance of agency in the capability approach?*
- 6. In what way is the informational basis of the capability approach wider than the informational bases of utilitarianism and the concept of primary goods?*
- 7. What is interpersonal comparison, and why is it needed for well-being evaluations?*
- 8. What are the main criticisms of the real-income based comparisons?*

### 4.3. Local development and social justice

The objective of this chapter is to conceptualize social justice for local economic development. We consider the results of LED initiatives better for the citizens, if they further justice. The chapter provides an overview of the most important approaches of social justice. It argues that an approach to justice, which has its roots in the capability thinking provides several advantages for LED.

“What is presented here is a theory of justice in a very broad sense. Its aim is to clarify how we can proceed to address questions of enhancing justice and removing injustice, rather than to offer resolutions of questions about the nature of perfect justice.” (Sen 2009, p. ix)

The issue of justice had gained significant attention with regard to local development for decades now. The field of planning theory has been particularly active in interpreting and supplementing the various approaches of justice developed by social philosophers. Attention has been paid to both distributional and procedural aspects. Furthermore, ideas have been put forth that go beyond this distinction and focus on the lived experience of citizens.

Present chapter begins with a reference to the fundamental questions of local economic development as well. We have already discussed that the term “better” could be understood as increased well-being. Here we provide another possible interpretation. We consider a LED intervention to better the situation for the citizens if it furthers justice. Therefore, we attempt to conceptualise justice for LED. We will review the various approaches of justice and discuss their strength and weaknesses.

Before commencing this quest, first let us briefly link this issue to the former chapter. The questions of well-being and justice are not fully separate. We discussed earlier that, for example, allocation can be an issue, which is relevant for also well-being and not just for justice. Furthermore, communities must decide which aspect they should prioritise in a given situation. In certain cases, citizens may have a good reason to give way for LED projects that increase economic performance or other elements of well-being, while causing increased inequalities in their distribution. In other cases, the community may have an equally good reason to opt for more equality instead of faster growth or rapidly improving competitiveness.

This inevitable value choice is a further argument, which sheds light on the presence of social choices in local economic development.

#### *4.3.1. Distributional justice, procedural justice and beyond*

We have already mentioned that there is a long tradition (at least in economics) to rely on arguments which are rooted in utilitarian thinking. The origins of utilitarian thinking emphasized the equality of citizens in the sense that all members of society should equally count when deriving social preferences.

However, when this thought is translated into practice, it may become problematic. Using real income to proxy the utility gains and losses of citizens causes a bias towards the poor (see chapter 4.2.3.). Furthermore, utility may not provide an adequately wide informational basis (see chapter 4.2.1.). This holds true not solely in connection with well-being, but also with regard to justice.

Nevertheless, it is still common to put forth arguments in debates around justice, which are based on **utilitarian thinking**. For example, when a city has plans to build a new theatre, or to upgrade one of its metro lines, discussions may emerge whether it should be accessible for wheelchair users or not. A very common argument is based on the consideration of the costs and utilities. This way we could ask how many disabled people are expected to use the new facility and how much will they pay for it? By comparing the costs and expected gains, we may argue whether the new facility should be accessible or not. Imrie (1996b) highlighted the huge difference of such reasoning compared to another approach, where we claim access to public buildings and facilities is a basic right. The latter approach put disabled people to a much more beneficial position.

Nowadays, the most influential theoretical arguments with regard to justice are not rooted in utilitarian thinking anymore. Actually, these new kinds of arguments are partially rooted in the dissatisfaction with the utilitarian approach. Certainly, we do not attempt to provide an exhaustive review of the whole social justice literature. This body of literature has been developed through centuries in social philosophy. Our intention is to briefly outline the main approaches by referring to one (or few) symbolic scholars of that approach.

It is common to differentiate the thoughts around justice whether they deal with the distribution or the process – hence to talk about **distributional** and **procedural** justice. In the

former case, we approach the question: “what is a fair distribution” (of benefits and burdens in a society)? In the latter case, we ask “what is a fair way to make social decisions”?

John Rawls, one of the most influential political philosophers in the 20<sup>th</sup> century, approached the question of distribution in his “Theory of justice” (Rawls 1971, 2003). **Rawls’ theory** provided principles on which social institutions should be based in order to ensure the fair distribution of burdens and benefits.

His theory takes the starting point that today’s societies are not based on a joint understanding of „good” but a joint understanding of „just”. The role of basic social institutions in a “well-ordered society” is to provide a framework, in which citizens may further their ends, provided that these ends do not violate the principles of justice (Rawls 1982). This means that society should be based on certain principles of justice, which are accepted by its members and which are embedded to its institutions (rules, laws, etc.). And these principles should provide the background conditions for all the citizens, where they may further their own ends (whatever these ends may be).

So what should these principles of a just society be? What could be the principles of a society on which all its members would freely agree (without pressure or coercion)? Rawls provided slightly different versions of such principles in his original (Rawls 1971) and later (Rawls 2003) works. Here we demonstrate a simplified version (which makes them easier to understand but which are not fully precise). So according to Rawls (1971, 2003), the **principles of justice** are the following:

1. Each person has an equal right to the broadest set of basic liberties (not violating others’ basic liberties).
2. Social and economic inequalities must satisfy two conditions:
  - a. they are attached to offices and positions open to all; and
  - b. they are to the greatest benefit of the least advantaged members of the societies.

The order of these principles also show their priority. Hence the first priority is to assure equal rights to the broadest possible set of basic liberties. Such **basic liberties** are (Rawls 2003):

- freedom of thought and liberty of conscience;
- political liberties;

- freedom of association;
- rights and liberties specified by the liberty and integrity of the person; and
- rights and liberties covered by the rule of law.

The second principle refers to the possible inequalities within the society. Rawls did not argue for perfect equality. He rather asked what fair and unfair inequality was. According to his theory, inequality is justified if it is attached to offices and positions open for all. This means for example that all the citizens should have the same right to become an entrepreneur. Then, as entrepreneurs, they may become more or less successful, which is fair.

The second criterion he put forth has direct relevance for LED interventions. According to Rawls, it is not expected that everyone benefits equally from a shift (e.g. a LED project). Inequality in this sense is justified if the greatest benefit is provided to the least advantaged members of the society. Least advantaged is judged on the basis of people's possession of primary goods (see chapter 4.2.1.). For example, if a LED project provides different gains in real income for different members of the society, it should provide more for those with less income (thus should decrease inequalities). Rawls (1971) argued that this is the only rule of decision making, which would be freely accepted (without pressure or coercion) by all the members of the community. In any other cases some should be forced to accept the shift.

Another very influential 20<sup>th</sup> century philosopher, Jürgen Habermas, focused on the procedural aspect of justice. Habermas (1999, 2001) was one of the most important advocates of the so called **discourse ethics**. He argued that moral questions (e.g. what is just or fair) are inherently different from scientific questions. In moral questions agreement can be enforced neither by deduction, nor by empirical evidences. On the social level only those norms may have a claim to legitimacy that were formed by open public debates.

But what should such open public debates look like? That is the basic question of discourse ethics. Habermas (1999, 2001) argued that the acceptance of social norms requires such discourses, within which:

- anyone is allowed to participate;
- anyone is allowed to introduce any statement;
- anyone is allowed to dispute any statement;
- everyone is allowed to express their attitude, desideration or needs; and



- none of the participants can be restricted (by forces within or outside the discourse) in exercising the aforementioned rights.

This means that all stakeholders of a decision should have equal possibilities to enter and take part in the discourse. These **rules of a perfect (undistorted) discourse** provided much inspiration for those interested in the processes of social decision making (local development decision making). However, it is obvious that such rules are rather “ideals” than conditions that characterise real life discourses. Actually, one of the main bones of contention is whether these requirements can be met at all. A huge deal of literature contrasted Habermas’ ideas with the arguments of Michael Foucault (e.g. Hillier 2003). Foucault (1982) highlighted that discourses are always characterised by power imbalances, both regarding power in the discourse (who can participate and persuade others effectively) and over the discourse (who shapes problem perception, the range of identifiable solutions and the framework conditions of the discussions). Still, the arguments of the discourse ethics provide inspiration for refining real-life public debates.

While the principles of procedural and distributional justice continue to gain significant attention, new approaches have also emerged. Iris Young (1990, p. 15) highlighted that:

*„Contemporary philosophical theories of justice [...] tend to restrict the meaning of social justice to the morally proper distribution of benefits and burdens among society’s members. [...] While distributive issues are crucial to a satisfactory conception of justice, it is a mistake to reduce social justice to distribution.”*

This argument provided an impetus for going beyond distributional issues and shed light on the importance of people’s lived experience. Young (1990) did not deny the importance of distributional issues, but argued that a concept of justice should embrace further aspects. The lived experience of several citizens (or groups of citizens) may be oppression, which is definitely a justice issue, but not necessarily (or solely) a distributional issue. The main **forms of oppression** can be (Young 1990, Imrie 1996a):

- Exploitation (e.g. disabled people are offered low-paying, non-creative jobs where they cannot utilize the skills and qualifications they have).

- Marginalization (e.g. members of certain minorities or disabled people may not have real access to the job market, the employers tend not to choose them over other applicants; accordingly, they may become dependent on the welfare system).
- Powerlessness (being exploited and marginalized often implies the lack of decision making power).
- Cultural imperialism (the values, the valued “doings and beings” of certain groups may gain significantly reduced attention and importance in social decision making – when decision makers argue they cannot please everyone, it is very often these groups who are actually not pleased).
- Verbal and physical violence (the extreme form of oppression may occur in the form of verbal or physical violence towards certain people or groups).

Young (1990) highlighted that furthering justice makes it necessary to deal with (irresolvable) conflicts. Certain members of the society (e.g. disabled people, minorities, people in poverty, women) may be oppressed in many senses. In order to eliminate such injustices, we must approach power conflicts among different actors.

The above thoughts on distributional and procedural justice and the increased attention paid to oppression and people’s lived experience heavily influenced arguments around local development. A field that was particularly active in embracing these arguments was planning ethics. A very intense theoretical and practical discussion emerged around the issue of **urban justice**.

It is widely argued that cities do not provide just or fair circumstances for all their citizens. A huge body of literature is dedicated to those with more or less opportunities to benefit from the city and its services. Harvey (1973) proposed that certain marginalized groups should claim rights to the city. In his understanding (Harvey 2003, p. 939): *“the right to the city is not merely a right of access to what already exists, but a right to change it after our heart's desire.”* Or Fainstein (2010) argued for the co called “just city”.

This body of literature is particularly (but not solely) interested in distributional inequalities rooted in race, class or gender. Several theoretical and empirical insights are dedicated to power differentials. For example, certain groups of actors (consisting of enterprises and governments) work as pro-growth coalitions and effectively prioritise the aspect of growth and competitiveness in local decisions. This implies less attention to other

possible aspects, such as well-being or equality. Oppression is also widely analysed in urban studies. For example, a growing body of literature shows how disabled people become marginalized and oppressed (e.g. Imrie 1996a; Chouinard et al. 2010).

The main contributions of urban studies to the issue of justice are twofold: (1) detailed analyses show how inequality and oppression are spatial (e.g. stigmatization of neighbourhoods, the spatial structure of the city, the spatial inequalities of accessing public services, etc.); (2) it is widely argued that injustice and oppression are created and reinforced by spatial processes. For example, cities are constructed in a way, which takes “average citizens” (e.g. those without physical, hearing, visual or mental disabilities) as granted. This way, disabled people or minority people live in cities which are insensitive for their valuable doings and beings; and the services of which are mostly inaccessible for them.

Another huge body of the urban justice literature is centred around the process aspect of local development. Communicative planning theories (e.g. Innes 1995; Healey 1997, 2010) argue that the stronger the rule of disadvantaged groups in public decisions, the more distributional will the outcomes be. This school is largely inspired by discourse ethics, but rely more on empirical evidence than ideas about the perfect process when deducting their arguments (Ines 2004). They pay a lot of attention to the feasibility of good (authentic) dialogues and ways to balance the necessarily existing power differentials within the discourses.

#### *4.3.2. Institutionalism versus comparative approaches to justice*

Most of the justice theories we have discussed so far strived to depict the principles of perfect social institutions. Rawls’ theory provided principles on which well-ordered societies should base their institutions. Habermas developed the rules of perfect discourses. However, there exists a tradition, which approaches justice in a substantially different way.

According to Amartya Sen (2009) we can make a distinction between the institutional approaches (more precisely “transcendental institutionalism”) and the comparative approaches. All approaches to justice share the endeavour of furthering justice. But they differ in a vital sense. **Institutionalism** (e.g. Rawls, Habermas) attempts to formulate the “perfect” rules or institutions of a society. **Comparative approaches**, on the other hand, focus on the actual social realizations (resulting from the actual operation of actual institutions moved by

the actual behaviour of real-life actors). This approach attempts to advance justice by comparing actual alternatives.

Probably the most salient contemporary advocate of the comparative approach is Amartya Sen, who summarised his thoughts on justice in his book **“The idea of justice”** (Sen 2009). Sen’s basic intention is not to find the “perfectly just” but to eliminate “remediable injustice” through comparing situations, which arouse from the actual operations of our rules and institutions. So instead of telling what is perfect he attempts to theorise on what is “better”. In his own words (Sen 2009, p. 18):

*„Justice cannot be indifferent to the lives that people can actually live. The importance of human lives, experiences and realizations cannot be supplanted by information about institutions that exist and the rules that operate.”*

#### Box. 5. Different views on justice

Sen (2009) illustrated the different views on justice with the story of a flute and three children. The question is very similar to the story of the employer and three applicants shown in Box 4.: who should get the flute?

One of the children argues that she is the only one who knows how to play the flute, so she should get it. The others could not make use of it. The other child says that he is so poor he has never had a toy on his own. He would really like to have a toy once. The third child argues that it is true that she cannot play the flute. It is also true that she is not that poor, she has other toys. But she is the one who actually made the flute with her own labour.

Sen (2009) argued that the quest for “ideal” or “perfect” is problematic in two ways. First, it may not be feasible (**feasibility problem**), and it may not be necessary (**redundancy problem**). He demonstrated the feasibility problem with a story of a flute and three children (see Box 5.). This example draws attention to the fact that more than one legitimate claim is possible – even after public scrutiny of these claims. In other words, it may not be possible to arrive to a single “principle” of justice.

But according to Sen (2009), depicting the optimum is not necessary for comparing feasible alternatives. It is tempting to compare alternatives based on their distance from the perfect choice but this can be misleading. For example, a society can prefer a situation where none of its members live in extreme poverty over another situation where starvation or homelessness are present. It is easy to compare such situations without any reference to the perfect allocation of income or other primary goods.

Sen (2009) uses another easy to remember metaphor. Let us suppose a man who prefers red wine over white wine. Going by the distance from the ideal, a glass mixed from white and red would be a better choice for him than a glass of white – since it is closer to the ideal of 100 percent red. But this would probably not be the case. If the choice options were a glass of white or a glass of mixture, he would probably opt for the pure white.

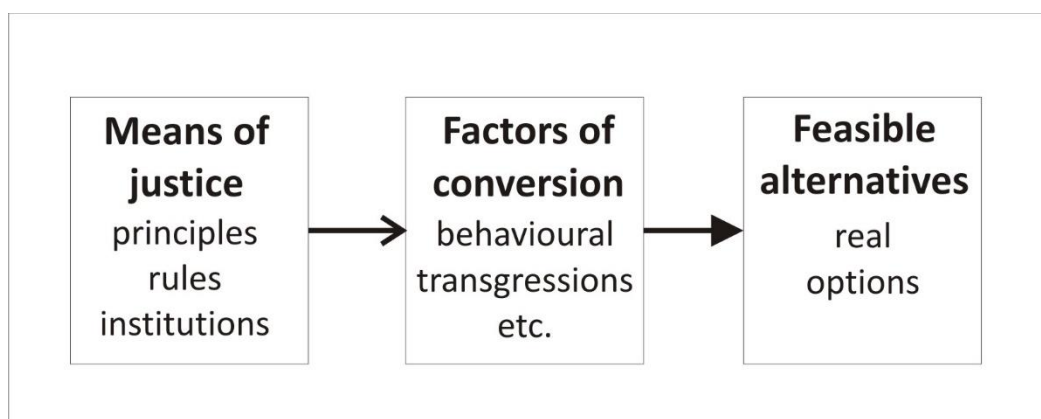
Therefore, Sen (2009) suggests that we should focus on the comparison of the feasible alternatives. The institutions we have in a society are all important along with the rules and principles they are based on. But they do not tell us enough about the actual choice options of citizens.

So the approach of Sen does not imply that institutions would not be important. But principles, rules, institutions themselves do not provide sufficient information on justice. Injustice may not be caused by bad rules or institutions, but by the way they are actually put into practice (Sen 2009). Behaviour of people who operate these rules and further influencing factors can be important causes of remediable injustice. In other words, injustice could occur even if we had perfect rules and institutions in a society.

Sen (2009) formulated his distinction between rules/principles and real life situations in line with the logic of the capability approach (see Figure 1.). We can make a distinction between the means of justice and the **feasible alternatives** we are actually interested in (see Figure 2.).

The means of justice are the principles, rules, institutions we set up in a society in order to ensure justice. For example, ensuring equal rights by law, building our education system around the concept of inclusion and so on. But the use of these means is influenced by the factors of conversion. Equal rights may not imply equality in actual opportunities, the principles may not work out in the way they are meant to. This leads us to the real options, the feasible alternatives. Actors in real life situations do not make a choice between principles, but real life alternatives.

Figure 2. A simplified representation of Sen's idea of justice



Source: own construction based on Sen (2009)

For example, it can be argued that segregated education reinforces poverty. In Hungary, a high proportion of Roma children live in (extreme) poverty. Segregated education is very likely to contribute to the so called poverty trap. Therefore, we have a strong argument for integrated education.

But when this valued principle is turned into reality a lot of additional factors come into force. Their disadvantage compared to majority children become highly visible in the integrated schools. Buying the necessary books and utensils, doing the homework, attending school trips, or even to attend school may cause difficulties for the Roma children. They do not have resources to pay for a private tutor either in case of bad marks. So they are more likely to become the “problematic kids” in the school. This may be reinforced by the teacher’s lack of knowledge regarding their special challenges and they may be subject to discrimination as well.

Therefore, the feasible alternatives for the parents are segregated schools (which are likely to reinforce poverty) or equally bad integrated schools. It’s not much use arguing for the principle of integration in such a situation. Justice could be rather furthered by understanding the injustice embedded in such a decision making situation and to come up with a third feasible option. For example, Málovics et al. (2014) showed that when a Roma community living in extreme poverty was involved in such a decision making, they actually came up with a third feasible option: to set up Roma afternoon schools (near their residence) to compensate for the disadvantageous school situation of the Roma children.

*By learning this chapter, you should be able to answer the following questions:*

- 1. What is the difference between distributional and procedural justice?*
- 2. What are Rawls' principles of justice?*
- 3. What are the characteristics of a "perfect" (undistorted) discourse?*
- 4. What are the main forms of oppression?*
- 5. What is the difference between transcendental institutionalism and the comparative approach to justice?*
- 6. What is the significance of feasible alternatives in furthering justice?*

#### 4.4. Decision making and participation in local development

The objective of this chapter is to provide an understanding about the decision making processes of local economic development. There are several theoretical arguments in favour of stakeholder and citizen participation in LED decisions, but the implementation of participatory processes are rather complicated. Real-life LED is characterized by the power differences among actors. Therefore, present chapter depicts the outlines of real-life LED decision making and argues for feasible, meaningful participation under these circumstances.

“People who are brought to the table and heard and who learn, influence, and build relationships are changed [by the process] and the power relationships themselves are changed.” (Innes and Booher 2015, p. 207)

We have already discussed two different lines of reasoning with regard to the desirability of LED interventions. A third very important way to approach what a better situation means is connected to the issue of participation. We can argue, that LED brings about a better situation for the citizens if they have the freedom to shape the development process. Shaping the development process both regards to the freedom of acting as agents (instead of a passive receivers) and the freedom to be benefited by the results of the development process.

The process aspect of local economic development has received considerable attention in the recent decades. One of the most important contemporary bodies of the planning literature, the communicative planning theory (e.g. Innes 1995, Healey 1997), is actually centred around this issue. The wide-spread involvement of stakeholders and citizens has also high importance for European level policies (e.g. think of the principle of partnership in the cohesion and structural policies of the European Union). Furthermore, it is strongly connected to the thoughts and theories that attempt to refine the working of democracies. These arguments suggest several forms of direct democracy to supplement the currently existing (and highly problematic) representative models (e.g. Dryzek 2000). It is common to talk about “participatory revolution” in this sense.



#### 4.4.1. *Pros and cons of participation*

We have already mentioned several theoretical arguments that highlighted the importance of participation. We showed that the fundamental questions of local economic development cannot be answered on a purely theoretical basis, they require social decision making. A statement about the desirability of a LED project (either because it increases well-being or furthers justice) cannot be deducted from theories or empirics, it can only be based on the joint understanding or agreement of the community. Based on the arguments of the discourse ethics, we showed that such an agreement should be the result of a just procedure; a processes in which everyone has the same opportunity to participate.

The capability approach provided further theoretical arguments in favour of participation. On the one hand, it has an intrinsic value; it is an element of well-being. This means that the freedom to take part may be valuable for the citizens (irrespective of its outcomes). On the other hand, participation also has an instrumental value. By participating, individuals gain better chances to further their own ends (it may lead to well-being). Furthermore, actors do not solely bring their various values and interests into LED through participatory processes. LED is also a process of joint knowledge creation. Participation allows to build on a broader informational basis in this sense too.

However, the relevance of these theoretical arguments for real-life processes is often debated. For example, Newman (2008) emphasised that the quest for ideals may have limited relevance for everyday problem solving. It is very often argued that the criteria of “perfect” discourses can never be met in real life due to power differentials or to differences in skills, which are required to effectively persuade others in open public debates (e.g. Hillier 2003).

Actually, few debate the **theoretical importance** of participation and few question the **difficulties of real-life participatory processes**. What is in question is whether it is possible at all to arrive to joint understanding through such processes; and whether it is worth to strive for participatory processes in real life settings. Actually, the place of participatory processes in real-life LED implies two very important questions:

1. Is it theoretically possible to arrive to consequent results through participatory processes?
2. Is it possible to implement good (just) participatory processes under real-life circumstances?

With regard to the first question, Kenneth Arrow's (1951) **impossibility theorem** induced a fairly pessimistic mood in economics. It basically stated that the aggregation of preferences may lead to inconsequential results (the community will not be able to decide which would be the best option for them).

But this scepticism of the traditional social choice theories basically holds true only in case of vote-oriented procedures (where through the aggregation of ex-ante given preferences they attempt to build a collective set of preferences to be maximised). But as Sen (1998) argues, the impossibility theorem does not apply in case of deliberative participation, which allows preferences to be changed and the informational basis to be broadened throughout the process.

*Box. 6. Sen addresses the possibility of social choice in his Nobel-speech*

Amartya Sen (1998) began his Nobel prize speech by addressing and criticising the common sense scepticism with regard to participatory decision-making. "A camel, it has been said, 'is a horse designed by a committee'. This might sound like a telling example of the terrible deficiencies of committee decisions, but it is really much too mild an indictment. A camel may not have the speed of a horse, but it is a very useful and harmonious animal – well coordinated to travel long distances without food and water. A committee that tries to reflect the diverse wishes of its different members in designing a horse could very easily end up with something far less congruous: perhaps a centaur of Greek mythology, half a horse and half something else – a mercurial creation combining savagery with confusion."

Sen (1998) argued that social choices (collective decision making) based on deliberative participation are possible and desirable. Actually, one of his main contributions to the social choice theory was exactly the demonstration how impossibility can be resolved by broadening the informational basis (Sen 1977) – something the whole capability approach argues for (see chapter 4.2.)

The second question regards the **practical difficulties** of participatory processes. First, it is worth highlighting that in many cases, expectations towards social choices are exaggerated.

Partial comparison or less accurate decisions are frequently adequate. For example, in order to prevent poverty, we do not have to find the most equitable allocation of incomes. However, a number of **practical problems** may still hold true. It is usual to refer to the following arguments in connection with participatory processes (e.g. Chambers 2003; Crocker 2007; Bajmócy and Gébert 2014):

- Citizen participation may be dominated by parochial attitudes (in other words, the “not in my backyard” problem may occur), which means that certain particular interest may prevail.
- Majority of citizens lack the skills and/or opportunities to deliberate effectively.
- Deliberation can be subject to conscious manipulation and unconscious bias.
- The asymmetries in power, social, or economic status can be reproduced in deliberative participation processes.
- The past hierarchical traditions of a society overwrite the assumption of free and equal citizens.
- Time constraints may imply that we have to bring deliberative processes close to voting.

The weight and seriousness of these problems associated with participation and deliberation is strongly contested in the literature. However, it must be seen that the above critiques also hold true for local development policy-making practices that do not rely on public participation and deliberation.

Certainly, these do not prevent us from carrying out participatory processes that are actually characterised by the above problems. However, empirical evidence often reveals that the alleged detrimental effects of deliberative participation either do not appear, or happen to be less intense than assumed (e.g. Crocker 2007).

When attempting to implement participatory processes in real-life settings, we are likely to encounter advantages and disadvantages (see Table 2.). Participatory processes are not easy to implement in practice, and these challenges should not be swept under rug. But based on our former theoretical arguments, the question is not “whether participation is necessary or not” rather “how to do it better, how to overcome its difficulties”? In order to arrive to meaningful real-life participatory processes, we have to gain a realistic understanding about real-life local decision making processes.

*Table 2. Common pros and cons of participation in LED*

Pros	Cons
The relevant knowledge for LED is scattered among many actors	Costly and time consuming
Participation encourages engagement (which results in additional resources for LED)	Particular interests may prevail
Provides a way to reconcile hard-to-compare aspects	Consensus does not necessarily emerge
Provides an opportunity for the learning of democracy	Inappropriate solutions can be offered by the laypeople
Implies increased transparency and control over decisions	New power conflicts may emerge (due to differentials in the ability to participate)
Open public debates have a moralizing effect (neglected approaches may receive voice)	It is not necessarily clear whom do the actual participants represent

*Source:* own construction

#### *4.4.2. Power and decision making in LED*

Real-life decision making cannot be characterised by an “ideal” world, where actors work jointly to negotiate their values and strive to arrive to decisions based on a joint agreement. Conflicts, and differences in interests are integral part of situations on the ground. Therefore, we cannot arrive to a realistic understanding of decision making processes without embracing the concept of power.

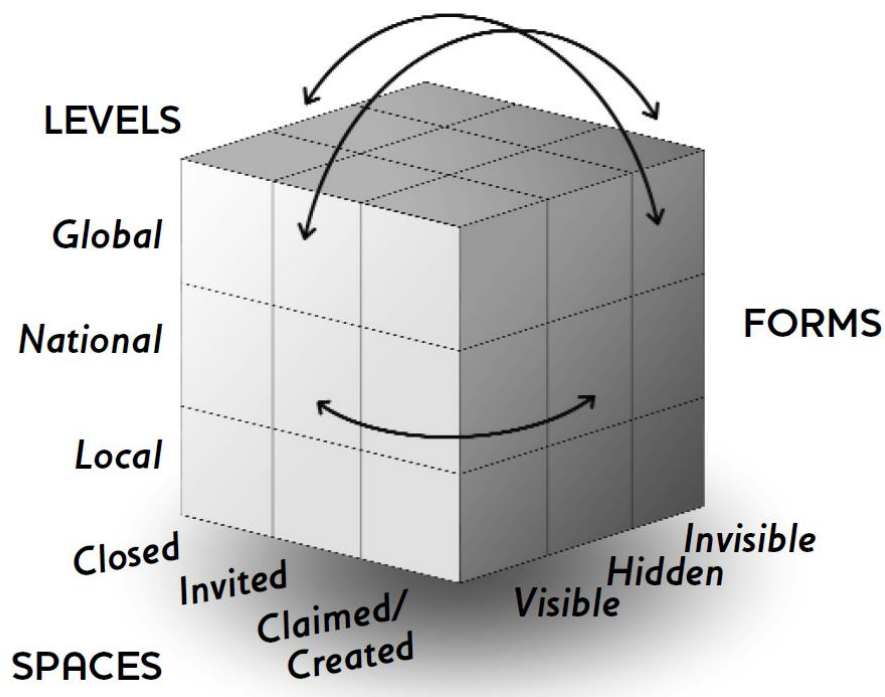
**Power** is commonly understood as the ability to bring about change. This definition makes it easy to connect power to issues we have already discussed. Agency, a core concept of the capability approach, is also centred around the freedom of local actors to bring about desirable change; to further their ends.

Local actors obviously differ in their ability to bring about change. According to Maier (2001), some of them may be closer to the power centre (being able to make decisions), while others are further (which makes them more difficult to shape decision-making or even to be informed). The distance of different groups from the power centre may change in time, some may become better informed, have their voices better heard. And eventually their contribution may be acknowledged by the institutional setting (the process design allows them to effectively participate). However, this approximation to the power centre does not occur automatically, it has to be claimed by exercising power.

At this point it is important to further clarify the concept of power. Some authors focus on actors' **power over** other actors. Lukes (2005) made a distinction between three "faces" of power. One may influence and control others in open and direct ways (have the decision making power). The second (secretive) face refers to the power of agenda-setting, which is very often exercised behind closed doors. The third face is the so-called ideological power, where one is in the position to shape desires, to affect what is acceptable, what are the ends to be furthered in a community.

Hayward (1998) draws attention to the fact that power relations do not always manifest themselves as relations between concrete actors (one exercising power over another one). Power relations are often embedded in structures (how processes are organized, what are the rules to be followed, etc.). Existing structures may provide different levels of freedom for different stakeholders to act and bring about change. Therefore, power "is the capacity to participate effectively in shaping the social limits that define what is possible" (Hayward 1998, p. 21). In other words, "it is not only the right to participate effectively in a given space, but the right to define and to shape that space" (Gaventa 2006, p. 26). This approach of power does not solely focus on certain actors "power over" others; it brings in a new aspect, which is "**power with**".

Figure 3. Gaventa's power cube



Source: Gaventa (2006, p. 25)

John Gaventa (2006) builds on both of the above arguments and provides a structured way to think about the ability of local actors to bring about change. He summarized his thoughts in his **power cube** concept (Figure 3.).

The power cube consists of three dimensions: the spaces, forms and levels of power. By **spaces** of power Gaventa (2006) understands those opportunities or channels through which citizens can act in order to influence decisions, discourses and relationships in their life. It is important to emphasize that the spaces of power are not fixed. There are three different kinds of spaces in the power cube: closed, invited and claimed.

A **space is closed** if actors need some sort of authorization to act there (e.g. elected representatives or holders of certain positions). A city council or its committees are typical closed spaces. The logic of these spaces are very much rooted in power conflicts. The ability to bring about change lies in actors' ability to get their way: to exercise power over others. Part of the civil society usually works in order to disrupt or open up these spaces and to ensure publicity and transparency. The main concern with regard to closed spaces is:

- the problems of the decision making procedures (mainly voting-oriented majority decisions), which may lead to the loss of a significant set of information;
- the significant shrinking of the informational basis of decision-making (as argued above);
- the high possibility to pursue marginal (individual) interests instead of the common good.

In LED procedures closed spaces are often widened, further actors are invited to contribute. In such **invited spaces** conflicts of values and interests are also strongly present, but seeking for agreement and joint solutions is also part of this setting. Therefore, "power with", the ability to bring about change with others, also gains importance. It is very common (and in most of the cases a legal requirement) to create invited spaces around LED projects. This provides some sort of opportunity for actors to be informed and to shape decision making.

Actors who do not have access neither to closed spaces nor to invited spaces may attempt to have their voice heard in **claimed spaces**. This means, they attempt to build up their own channels for articulating their values and interests. People with similar values and mind-sets

but without “power over” join forces to achieve a common goal. Those spaces can be manifold: from social movements, through founding non-governmental organisations (NGOs) to community spaces like a local pub, where people discuss certain issues. When actors attempt to claim spaces they emphasize “power with” (the ability of many actors to act together), instead of “power over” (the ability to prevail on others).

The second dimension of the power cube is the **forms of power**: visible, hidden or invisible. This is in close connection with the three faces put forth by Lukes (1995). Visible power denotes the observable and defined form of power (e.g. formal rules, structures; authorities, institution and other official mechanism of decision-making). Hidden power means the capacity to influence the agenda of decision-making. Power is not just a capacity to make a decision in a case but to prevent the case from arising as a problem at all. Generally, less influential groups are left out because of the mechanisms of hidden power. Invisible power refers to the capacity to determine the psychological or ideological boundaries of political participation and to influence the interpretations of problems and the norms of overall acceptance. Sometimes, serious problems are missing not just from the political agenda but also from the perceptions of the stakeholders. These channels affect how people think about their position in the world, what they believe to be acceptable. For example, it is a common phenomenon, that the local elite dominates the development projects in low-income countries. Although they use the projects according to their own self-interest, for the local inhabitants this situation is the status quo, and they do not think that it could change or that they should speak out for their own interests.

The third dimension of the power cube is the **levels of power**. According to Gaventa (2006), the level can be local, national or global. This highlights that local development decisions may be heavily influenced by actors from the national or even the local level. Sometimes it is not the local power structures, but the connection to national and global actors, which shapes local power differentials.

#### *4.4.3. Meaningful participation in invited spaces*

We argued earlier that invited spaces are the typical spaces of participation in connection with local economic development. There are strong theoretical arguments that these spaces should provide opportunity for a variety of stakeholders to contribute to planning, decision-making

and evaluation and balance the power differentials in and over the discourse. While participation provides numerous advantages, real-life processes may be far from the “ideal” and be characterised by conflicts, power differentials and ill-designed processes.

The good working of invited spaces is not just a theoretical requirement. Actors both close and far from the power centre may have good reasons to opt for participatory processes. They may not be in a position, where they could further their ends, or come up with adequate solutions without further actors. The practical transition towards participatory decision making (e.g. the partnership principle of the EU; the shift from government to governance) is actually rooted in the understanding that governments are unable to come up with adequate solutions to global challenges without cooperating with numerous actors.

Our question here is how to create meaningful processes within the invited spaces? What are the main expectations towards participation on the ground? In practice, invited spaces may be manifold. They provide different room for agency, and they may approach different kinds of problems (more or less complex, with higher or lower stakes).

Arnstein’s (1969) **ladder of participation** draws attention to the fact that invited spaces may provide very different extent of power for participants. She made a distinction between three fundamental levels of participation based on the extent of power provided to the participants. The first level consists of forms that do not actually empower participants. This level is called “non-participation”. Here even manipulation may occur (e.g. providing false or incomplete information), or participation is aimed at educating or persuading stakeholders. In this case the process serves the interests of the power holders, allows them to gain legitimacy for their own objectives.

The second level is called tokenism or “as if” participation. Here participants may become well informed and they can have their voice heard. However, no guarantee is offered to actually consider their claims. Decision making power is not distributed.

The third level is considered to be real participation by Arnstein (1969). On these higher rungs of the ladder (partnership, delegated power, citizen control) citizens become empowered. They may take part in negotiations, decision making sure power is actually distributed.

In other words, it is not enough to simply involve citizens, it is not enough to simply provide room for participation. We must ask what kind of participation; what kind of agency



is provided in that space? Based on our former arguments, we can list certain **required characteristics** of participatory techniques (Málovics et al. 2017):

- focus on direct participation (not through representatives);
- provide room for deliberation (the goal is not simply to aggregate ex-ante given preferences);
- an attempt to be balanced and transparent; an attempt to control the manipulation of the process by certain actors;
- an attempt to make participants competent;
- the process should involve a real stake for participants (it should have a clear connection to decision making);
- it should try to create spillover effects (learning effects for the community).

Many of the most common participatory methods (e.g. residential forum, referendum) are not equipped with these traits. They cannot be considered as real techniques of deliberative participation. On the other hand, there exist a number of techniques (and also experience about the use of these techniques) that are designed to meet these characteristics. Such techniques of deliberative participation are (among others):

- participatory budgeting;
- citizens' jury;
- 21st century town meeting;
- deliberative polling;
- consensus conference.

But even these techniques of deliberative participation are not unproblematic. They may not be able to handle all the unbalances with regard to the power over the discourse (who sets the framework conditions for the participatory process, who frames the questions etc.) and with regard to the power in the discourse (who has more opportunity to actually take part in the process and persuade others during the debates). Especially marginalized groups may lack the real opportunity to take part in public participation procedures, or take part without being oppressed during the process (Cooke and Kothari 2001; Málovics et al. 2017).

We must always ask whether the process is an **authentic dialogue** – a concept put forth by Judith Innes (2004). In other words, we should reflect on the circumstances of the participatory process, whether the basic presumptions of consensus building hold true or not. According to Innes (2004) a dialogue is considered to be authentic if (1) the interests and values of the stakeholders actually differ. In other words, consensus-seeking is necessary. (2) None of the major stakeholders are in a position where they can arrive to a satisfactory solution without taking part in the process. In other words, there is a real stake for all the participants. Staying away from the debate, or to violate the negotiated consensus after the process are not good options for them. Very often, these characteristics do not hold true for the process: the city council, or a large corporation may not meet the second requirement. Even in cases where consensus building seems to be impossible, the process can still be valuable, for example by making the conflicts visible.

*By learning this chapter, you should be able to answer the following questions:*

- 1. How does the informational basis relate to the possibility of coherent social choices?*
- 2. What are the most important pros and cons of participation?*
- 3. How would you define power? What is the difference between “power over” and “power with”?*
- 4. What are the spaces of power in Gaventa’s power cube?*
- 5. What are the forms of power in Gaventa’s power cube?*
- 6. What are the levels of participation in Arnstein’s ladder?*
- 7. List five participatory techniques that aim for deliberative participation and attempt to ensure balance and transparency!*
- 8. What are the prerequisites of an authentic dialogue?*

## 4.5. References

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