

## Foreword

**G**lobalisation in the OECD has come to regions more strongly than to nations. Technological change and the gradual reduction of the working age population are two main challenges influencing the economic performance of many regions. While some regions are able to adapt to these challenges and reap the benefits of globalisation, others remain stagnant and struggle to compete in the global arena.

Technological change has led to the rapid growth of service industries and the knowledge-based economy, allowing those regions specialised in the production of information and knowledge to become more competitive in the global economy. Nonetheless a region's capacity to innovate is not its only source of growth; equally important is its ability to create a high-quality population, to retain and attract talented people, to be well connected to global markets, to have an adequate business environment and infrastructure system and a well-functioning labour market.

These challenges coincide with an increasing concentration of economic activity. People and firms are increasingly concentrating geographically, driven by the benefits of economies of agglomeration. But the concentration of economic activity and people has both positive (growth spurred by higher productivity levels and innovation) and negative outcomes (inequality between regions).

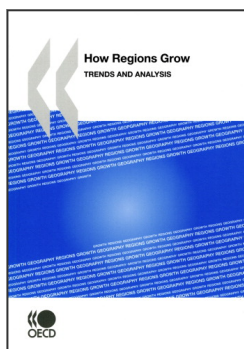
Under these conditions, we need to understand regional competitiveness better and to decide on the best policy responses. The OECD created the Territorial Development Policy Committee (TDPC) in 1999 as a unique forum for international exchange and debate. It also formed the Working Party for Territorial Indicators (WPTI) to carry out statistical work on the measurement of regional economies.

This publication, *How Regions Grow: Trends and Analysis*, aims to measure the overall trends in economic performance and inequality in OECD regions, and to identify the main determinants of regional competitiveness. The book is organised into three main chapters: i) Overall growth trends; ii) Analysing the components of GDP growth; and iii) Assessing the impact of the main determinants of regional growth: a parametric analysis.

The first chapter measures overall growth trends in GDP, GDP per capita and GDP per worker among all OECD regions, within OECD countries, and among predominantly urban, intermediate and predominantly rural regions. The second chapter applies an accounting framework to break GDP growth down into six factors,

*allowing us to identify the components of the success of certain regions and to perceive the existence of untapped resources in others.*

*Finally, the third chapter uses a series of econometric models to measure both the trends (convergence or divergence) in economic growth and the determinants of such performance.*



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