



**Regional Socio-Economic Development in the Light of  
Universities' and Ministries' Relocation**

Shaki-Zagatala Regional Analysis

Tural Yusifzada

2021

## 1. INTRODUCTION AND OVERVIEW

The structural difference in regional development between Europe and the rest of the world is linked with the history of Megapolises. As a notion, megapolis (megalopolis) comes from Isaiah Bowman's explanation of the USA's cities in 1942 as high-density populated great cities (Gottmann, 1957). Moreover, the notion was expanded by including the reasons for the high-density population and its outcomes to the cities. Obviously, more opportunities in work and education became the main reason for high population flows to megapolises. On the other hand, more workforce and education benefits such as innovations and technologies became profitable for governments. As a result, creating megapolises became a vital policy to gather all the capital, including human and non-human capital, at one point.

More population density requires more investments in education, health, communal services, transportations, infrastructures, supervisory-regulatory institutions, and more. However, capital resources are limited for all countries in the world. In this scope, the investment requirement of megapolises and restricted government budgets causes underdeveloped regional cities, which results in massive population flows from these cities to megapolises. Moreover, the population flows harm the regional socio-economic structure via decreased economic activity and brain drain, which generates income gaps between the regions or leaves abandoned villages and cities behind.

Besides the socio-economic damage in regional cities, massive population flows also force the potential limits of megapolises. High population creates short-run demand on available goods, work, and social opportunities, also create traffic, pollution problems, increases the crime rate, which becomes an unsolvable problem for the policymakers. Also, even with all the benefits of megapolises, expanding the long run's capacity becomes significantly expensive for policymakers. In this framework, relocation of industries, education, or supervisory-regulatory institutions (which has no significance on where they are located), from megapolises to regional cities, become an essential policy to reduce the population pressure on limits and reduce the income inequalities between cities.

As a result, regional development is becoming an essential policy for many countries, considering that the lowest inequality having countries became most happy nations or most wealthy ones. Furthermore, the lack of these plans results in more income inequalities and exacerbates the internal social classification. For example, the product release statistics (or Regional Gross Domestic Product (RGDP)) of Azerbaijan displays that product release values of Baku are 38 times (or %3712) higher than the Shaki - Zagatala Economic Region for 2018.<sup>1</sup> On the contrary, the highest regional disparity in GDP between the capital of Finland and other regions is only %60.<sup>2</sup> The significant difference between Azerbaijan and Finland (or other European countries) can be explained by the European regional development plans.

One point should be noted that the overall GDP values in regional disparity comparison could not be entirely significant due to the population distribution of capital cities and regions (However, the population's inequal distribution is also significantly related to the regional development plans). For instance, considering the population, the RGDP per capita of Baku has become approximately ten times higher than the Shaki - Zagatala Economic Region. The value is a useful proxy to understand the economic activity difference between the largest city of Azerbaijan and the Shaki - Zagatala Economic Region. The fact is clear that the significant difference in economic activities will reflect per capita incomes and increase the income inequality gap between regions.

In general, regional development plans have essential impacts on population distribution (flow), income, production, education gap, and high-density related issues such as pollution, traffic, and waste management. In this framework, this research tries to emphasize the education's and government institutions' power on regional socio-economic development via production and educated communities. Moreover, the research suggests a policy for the regional reconstruction of Azerbaijan from the Shaki - Zagatala Regional perspective.

---

<sup>1</sup> The data obtained from The State Statistical Committee of the Republic of Azerbaijan, <https://www.azstat.org/portal/tblInfo/TblInfoList.do#>

<sup>2</sup> The data obtained from OECD, <https://www.oecd.org/cfe/FINLAND-Regions-and-Cities-2018.pdf>

## 2. NEED TO REGIONAL DEVELOPMENT

Regional industry-education development plans obtained importance with their essential impacts on reducing the population flows, brain drain, and income gap; moreover, increasing the regional economic transactions via work opportunities and increased demand. Briefly, the plans help to reduce the regional disparities in terms of per capita GDP, population distribution, and social classification.

In this framework, education reveals as the primary tool of regional development plans because education is the main key for the economy and society. According to Wolfe (Wolfe, 2005), universities are "knowledge factories", and they play an essential role in "knowledge-based economy". Moreover, universities are the essence of innovation, technologies, and educated society (Connecting Universities to Regional Growth: A Practical Guide, 2011). That is the reason why European regional development programs are mainly based on the "connection of universities" to reach regional growth because the universities attract the production investments and increase the overall wages thanks to educated people's added values to the production process.<sup>3</sup> As a result, the university having region becomes wealthier than others.

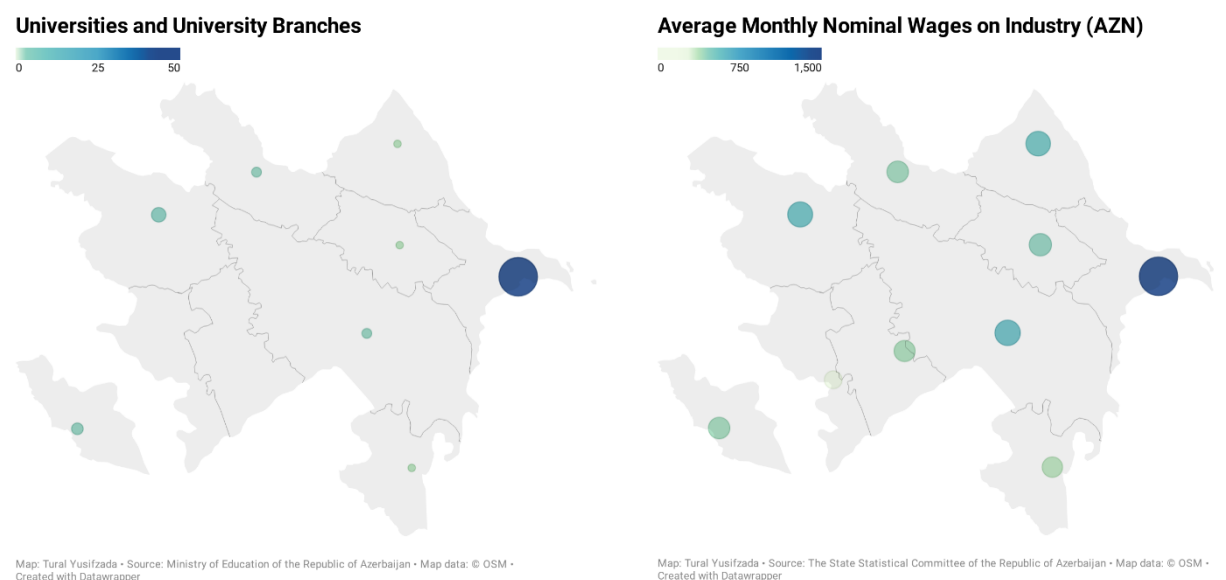
However, the revealed question is, what is the distribution of universities inside the countries (for instance, in Azerbaijan) and what is the possible correlation between universities and average nominal wages? Chart 1 shows that the total number of high education institutions in the Shaki - Zagatala Region is 2, in Baku is 42 (in 2019), and nominal wages in the industry

---

<sup>3</sup> More clearly, universities increase the educational level in the territory, and the territory becomes attractive for companies due to potential educated workers and innovations resulting from high education. Increased efficiency in producing process, and reduced megapolises related costs such as rent and high traffic cost, results in more profit, which positively affects the employees' wages. As a result, the nominal wages in the territory increases in the medium-run.

are 420 AZN and 1445 AZN, respectively. Adding other regions to the descriptive statistics reveals the universities' significantly high (%96.7) relation with nominal wages on the industry. As a result, one can imply the strong impact of education on wages from these preliminary statistics.

Chart 1



Up to now, one thing became clear that universities are the primary key to the economy. In the use of combining all human and non-human capital in one point generates megapolises and related problems. On the contrary, distributing these capitals via universities and related production investments into economic regions reveals as the best option to solve megacities' problems, as well as income and population distribution inequalities.

### 3. RECOMMENDATIONS

Understanding the impact of universities on regional development is possible with understanding the importance of European regional development plans. For example, Finland's university distribution is the main reason for low regional inequality in RGDP. However, university distributions alone are not sufficient to achieve lower inequality. The quality of education and its interaction with the production environment is the main supply

factors of regional development.<sup>4</sup>

From an education quality perspective, relocation of universities (or faculties) should be considered under the scope of regional potential. For example, the Shaki - Zagatala region has significant potential for agriculture and tourism. Henceforth, the relocation of agricultural<sup>5</sup> and tourism universities/faculties will be significantly profitable for the region, as well as for the country. As a result, education-based agriculture and tourism investment will gather at this region, which will affect the overall regional socio-economic structure as below:

### **Expected Payoffs:**

- Relocated universities will increase the population (reverse) flow from megacities to regional cities, which will significantly increase the demand for the rental sector.<sup>6</sup> Moreover, an increased population will boost the demand market of several sectors such as food and clothes markets, restaurants, entertainment centers, and more.
- Increased demand of the region and high education's human and non-human products will be attractive for private companies. As a result, private sector investments will increase in the region, which will create more work opportunities. Furthermore, decreased cost of production process versus megapolises and increased market volume will lead to relatively high profits, which is significantly linked with the higher wage of employees.
- The regional city with a relatively high population, high demand, and high investments will require more infrastructure investments and supervisory and regulatory institutions. One step further, the relocation of related ministries will be the

---

<sup>4</sup> The quality is the reason that this research focuses on the relocation of existent universities with its entire academic staff instead of opening new universities and expecting high-quality education. For example, the existing Sheki branch of Azerbaijan State Pedagogical University is not successful as the university itself. The cost of relocation of all academic staff, laboratories, and university-related institutions will be high, but the entire policy cost will turn to profit for the regional socio-economic structure. The new government investment (relocation cost) will boost the regional economic activities and reduce the RGDP gap in the early stages.

<sup>5</sup> For example, the closed Shaki Agricultural Technical College.

<sup>6</sup> The relation became clearly significant after COVID-19 University shutdowns' impact on rental sector.

second demand booster for the regional economy. As a result, the city will become a new sub-center.

- Besides the economic impacts, relocation of universities and ministries will increase the overall education level in the region, which will affect the socio background of locals and will reduce the social classification gap.

In conclusion, a new replacement policy will reduce the population distribution, income inequality, and socio-cultural gap between megacities and regional cities. Moreover, the policy will distribute the problems and benefits of megapolises across the regions. Henceforth, the impacts will be directly seen in the regional disparity index and indirectly in the Gini coefficient.

## References

- Connecting Universities to Regional Growth: A Practical Guide. (2011). *European Union Regional Policy*.
- Gottmann, J. (1957). Megalopolis or the Urbanization of the Northeastern Seaboard. *Economic Geography Vol. 33 No. 3*, 189-200.
- Wolfe, D. A. (2005). The Role of Universities in Regional Development and Cluster Formation. *ISRN Study of Canadian Clusters*.