

# **Attractiveness of regions and externality in welfare economics**

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**Abstract** A real growth of the region may provide both effective economic performance for producers and sufficient well-being for households. While economic performance can be estimated by the GRP (Gross Regional Product) and other relevant economic indicators, the extent of well-being attainment would be different from these results. Unless whole elements for the real growth of region are properly included in spatial analysis, regional development cannot satisfy actual needs of local households and firms which can be directly relevant to the attractiveness of region. Once the level of attractiveness significantly declines, local population as well as economic activity at that region may not be stable in the long run. To avoid such a vicious circle of the regional development, this paper explores how attractiveness of region can be measured applying the established notion of externality within the framework of central-place theory and welfare economics.

**Keywords:** Social welfare, central-place system, location decision-making, agglomeration economies, well-being

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