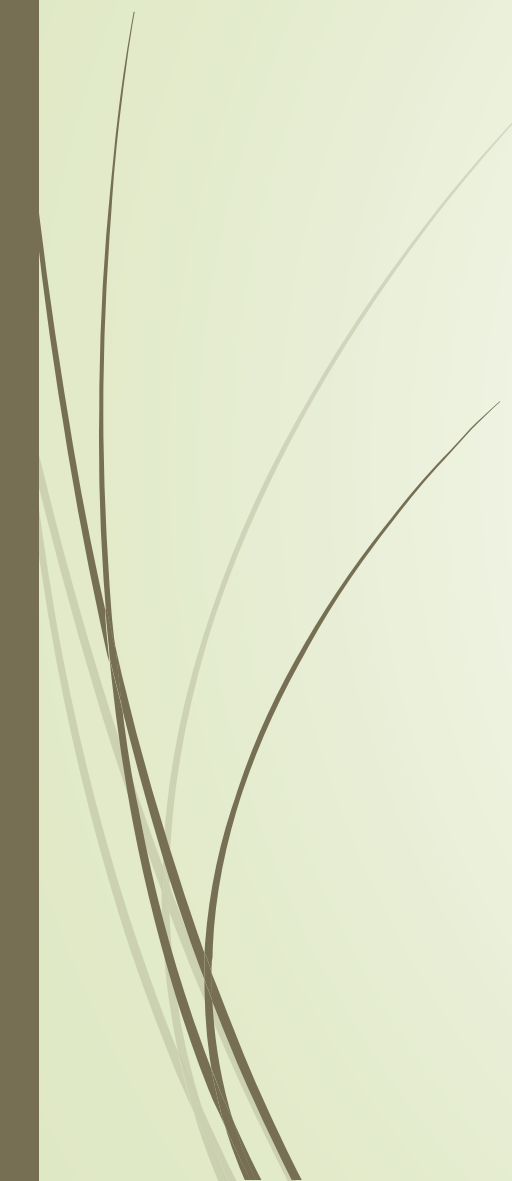


BASE ECONOMIC MODEL





Definition

- Basic of Base Economic Theory is the rate of economic growth of a region is determined by the size of increasing exports from that region
 - Export → sell products or services to other regions
- 



Sectors classifications

Base Sectors

- Activities of producing products/service providers that bring money from other regions
- exogeneous

Non Base Sectors

- Sectors that only meet local need
- Determined by level of local community income
- Can not develop more than the regional growth

METHOD OF DETERMINING BASE SECTOR

Direct Method

- ✓ Direct survey to identification of base sector
- ✓ Need more cost, time, and energy

Indirect Method

- ✓ Assumption Approach
- ✓ Location Quotient Method



Assumption Approach Method

- ✓ Primary industrial and manufacture sector are base sector
- ✓ Services sector is non base sector

Location Quotient (LQ) Method

- ✓ A comparison between the relative share of sector I income (labor) at the regional level to total regional (labor) income with the relative share of sector I income (labor) at the national level to total national (labor) income

Formula Location Quotient

$$LQ = \frac{v_i / v_t}{V_i / V_t}$$

Where ; LQ = Indeks *Location Quotient*

v_i = income (labor) I sector in regional level

v_t = total income (labor) of region

V_i = income (labor) I sector in national level

V_t = total income (labor) of national

criteria:

$LQ \geq 1$ mean that I sector is base sector.

$LQ < 1$ mean that I sector is non base sector




Assumption of LQ

- Population of the region have homogeneous demand patterns with the demand patterns of population in the higher regional level
- Regional demand for a product is fulfilled first from local production and the shortage is imported from other regions



Example of LQ Calculation

The Result of LQ agricultural sub sector in Central Java 2008-2012



Year	Sub sector Agriculture				
	Farm Food Corps	Non Food Corps	Livestock	Forestry	Fishery
2008	1.41	0.59	1.02	0.29	0.37
2009	1.39	0.62	1.04	0.30	0.35
2010	1.41	0.58	1.06	0.32	0.33
2011	1.42	0.59	1.09	0.33	0.33
2012	1.43	0.59	1.09	0.33	0.33
Average	1.41	0.59	1.06	0.31	0.34