2 MAIN TRENDS AND ISSUES IN RURAL REGIONS

2.1 Introduction

Chapter 1 highlighted a number of important issues concerning rural regions in the EU such as the differential economic performance of rural regions, doubts about the urban-rural dichotomy, questions on factors affecting economic development and shifts in the rural policy debate. The aim of this chapter is to analyze these issues in depth by reviewing main socio-economic trends and policy issues in rural regions of the EU. This chapter serves as a general introduction to the opportunities and threats faced by rural regions, and lays the ground for the discussion of theories on economic development in the following chapters.

We start this chapter with a discussion of rurality, which has a multiplicity of associations such as non-urban, agriculture, beautiful landscape, quietness, old-fashioned way of life and countryside idyll. In Section 2.2 we elaborate on three approaches which encapsulate the different meanings of rurality: the spatial approach, the territorial approach and the constructivist approach. We pay also attention to the various concepts of rurality applied by the different EU member states which - given the differences in physical, demographic, socio-economic, political and cultural circumstances - vary. As final steps in Section 2.2, we review the concepts of rurality used by the European Commission and the OECD, and we explain why we use the territorial approach to rurality in this study. Our choice implies that we distinguish a large number of rural economies in Europe which, in the context of this study, are labelled as rural regions.

In Section 2.3 the focus is on main socio-economic changes in rural regions in the EU since the beginning of the 1980s. First, we focus on some economic disadvantages in rural regions such as labour-saving adjustments in the agricultural sector, lack of agglomeration and inadequacies in infrastructure, which are often associated with outmigration from rural regions. Then, we explore socio-economic developments by making a comparative analysis of some general socio-economic indicators like GDP/capita, unemployment rates, employment growth and population growth. This analysis yields a varied pattern of socio-economic development in rural regions, comprising leading and lagging regions. This differential regional economic performance will be analyzed further in the subsequent chapters.

In Section 2.4 we discuss how policy makers have tried to reduce socio-economic disparities among regions. Their policy mainly consisted of specific measures aimed at adjustments in the agricultural sector and more general measures to stimulate the rural economy. In both types of measures some shifts have taken place. These become clearer when we extend our review period to the decades before the 1980s. Where agricultural structural policy measures are concerned, there seems to be a gradual shift from measures directed at productivity growth towards measures emphasizing the multifunctional role of the agricultural sector. Within the measures aimed at the more general development of rural economies, a shift emerges from measures encouraging inward investments towards measures enhancing the local development potential, or more briefly: a shift from an
exogenous to an endogenous development model. In the next chapter, such a shift can also be detected in the theoretical debate. In addition, two other shifts are dealt with in Section 2.4: an emerging shift from sectoral to territorial policy and a shift in the governance framework from a top-down to a bottom-up approach. Finally, in Section 2.5 some concluding remarks are made.

2.2 Approaches to rurality

The debate about the conceptualization of rurality ‘strikes right at the heart of rural studies’ (Pratt, 1996:71). Among the multiplicity of meanings of rurality, two main approaches can be distinguished: concepts that denote the rural as a distinctive type of locality and concepts that describe the rural as a social representation. Or in other words: ‘the rural as space and the rural as representing space’ (Halfacree, 1993:34). In the first approach, spatial classifications are based on a variety of land use and/or socio-economic variables, resulting in locations with boundaries on a map (Errington, 1994:367; Du Plessis et al., 2001). Following Blanc’s (1997) proposed division of spatial classifications into spatial and territorial categories, three approaches can be distinguished: spatial approach, territorial approach and social constructivist approach. These approaches are briefly discussed below.

1a Spatial approach

This approach is based on the idea that rural space - due to its extensive land use - has some characteristics which are different from other (usually urban) spaces. It has its roots in models of spatial economics like Von Thünen’s model on agricultural land use, in which various types of agricultural production are - according to the intensity of their land use - organized in concentric circles around a city, and the central place theory of Christaller and Lösch in which space is regarded as a set of points in which economic agents (producers, labourers and consumers) seek the optimal location (Blanc, 1997:1-3). Such models are often characterized by a hierarchical vision of space, a ranking of goods and services and the presence of agglomeration and dispersion forces. The starting point in the structuring of space in such models is a concentration of economic activities in the centre, due to economies of scale and transport costs. This concentration of firms and labourers attracts retail business and personal services, which results in a diverse supply of products, skills and information. The resultant diversification can be seen as a positive externality of the centre and is an incentive for a new round of establishment of firms and labourers in the centre. This agglomeration tends to be a cumulative process. However, dispersion forces are also at work. Competition for land use and negative externalities like pollution and congestion will push activities and agents out of the centre. Activities with a less intensive land use, like agriculture, and people who do not appreciate the benefits of the centre, move out. The complex interplay of agglomeration and dispersion forces results in a structuring of space where centres and peripheries differ not only in the density of jobs and people, but also in the structure of economic activities and characteristics of households. In this way, a functional specialization of spaces emerges. The further away from the centre, the more likely one finds less intensive land use activities, basic services (which are frequently consumed and which need not to be produced on a large scale to become profitable), and a composition of the population
which consists of a relatively high proportion of non-active people. The periphery is often associated with traditional economic and social structures and expressed in terms of a dependent relationship with the urban centre. In the spatial approach, rural coincides with periphery.

In the scope of this vision on a functional specialization of space, Cloke (1985:5) defined a rural area in his editorial in the first volume of the Journal of Rural Studies in terms of an area which:

1. is dominated (either currently or recently) by extensive land uses, notably agriculture and forestry;
2. contains small, lower order settlements which demonstrate a strong relationship between buildings and extensive landscape, and which are thought of as rural by most of their residents;
3. engenders a way of life which is characterised by a cohesive identity based on the respect for the environmental and behavioural qualities of living as part of an extensive landscape.

Although Cloke immediately admits that many other definitions can be given, his definition covers to a large extent all kinds of descriptions or indices of rurality found in the spatial approach. These descriptions usually characterize rural areas as those areas satisfying certain statistical thresholds in socio-spatial or socio-cultural dimensions (see for example Halfacree, 1993:23-5; Pratt, 1996:70; Borgstein et al., 1997:14-8). These thresholds may refer among others to land use (like agriculture, forest and nature), share of agriculture in employment, population density, built-up area, frequency of contacts, density of societies and crime rates.

1b Territorial approach

This approach abandons the strong interweave of rural with agriculture and the urban-rural dichotomy in the spatial approach and emphasizes the economic diversification of rural areas. According to the territorial approach (sometimes also referred to as local economy approach; see Saraceno, 1994:456), space is divided into territorial entities, which cover a local or regional economy. Each territorial unit includes both agricultural, industrial and services activities and consists of one or more centres and open space. The scale of these territorial units may vary: it usually refers to communities, labour market areas or regions. As a next step, a degree of rurality is assigned to each of these territorial units by using parameters such as population density and distance. For example, some territorial entities are densely populated, have a metropolitan centre and a small amount of open space, whereas other territorial entities are characterized by a low population density, one or more small or medium sized towns and a large amount of open space. When using the criterion of population density for determining the degree of rurality, the first territories can be labelled as ‘urban territories’ and the second as ‘rural territories’. In between these two opposites, a wide range of different configurations exists. The relationship between the different territories should not be conceived in traditional terms of dependence of one territory on another, or core-periphery dynamics, but rather in terms of a set of non-hierarchical competing local economies in the world market (Saraceno, 1994:469).

2 Constructivist approach

According to this approach, rural space is regarded as a social representation: a mental construct, which acts as a guide to deal with the complexity of the social world. Or in
other words: rural is an image in our mind, which helps us to prescribe and organize our
behaviour and responses (Halfacree, 1993:29). The social representation of a specific
actor is an amalgam of personal experiences and handed-down beliefs, propagated
through literature, the media, the state, family, friends and institutions (Halfacree,
1993:33). Hence the mental constructs of rural vary among actors, depending on place,
time and social group, and may include such concepts like countryside idyll, agriculture,
quietness, non-urban, nature, recreation, open space, backwardness etc. In effect, the
social representations of rural that are associated with different groups of people can be
expressed in terms of micro-cultures (Hoggart et al., 1995:26). In some of these social
representations, rural is conceived as a production asset and in others as a consumption
asset (Hoggart et al., 1995:28).

Actors involved in the construction of representations of rural are diverse: they can, for
instance, be permanent or temporary users of space, policy makers and academics.
Conflicts and controversies about alternative uses of rural space indicate that social
representations are related to the issue of power (Pratt, 1996:70). Such conflicts may
arise, for instance, between farmers’ interest groups, which want to exploit space and
therefore adapt some landscape elements, and tourist or nature conservation interest
groups which prefer to maintain cultural and natural values of rural space. In the scope of
these conflicts of interest among different users, Haartsen et al. (2000) refer to social
representations as ‘rural identities’.

From this classification of approaches to rurality, we now turn to a discussion of the use
of the concepts of rurality in the various EU member states, the European Commission
and the OECD. We also indicate whether the concepts of rurality fit the spatial, territorial
or constructivist approach.

**Concepts of rurality in the various EU member states**

Given the physical, demographic, socio-economic, political and cultural differences
among EU countries, varying concepts of rurality can be expected. Official designations
of rural space as distinct localities often refer to small administrative units that fall below
the defined population thresholds for urban zones. These thresholds vary from 200
inhabitants in Sweden to 10,000 inhabitants in Italy. At the level of larger geographical
units, often additional criteria are used to define a rural typology like the share of
agriculture in employment or income, commuting distances and population density
(OECD, 1994:17-8; Hoggart et al., 1995:21-3). So in official designations of rural space,
EU member states use the spatial approach to rural, and at least at the level of small
administrative units, rural space is defined as a residual, non-urban category rather than
specified by its own properties.

According to the constructivist approach, there are all kinds of social representations of
rural in the EU member states. However, one may wonder whether some dominant social
representations of rural exist and whether these differ among countries. Hoggart et al.
(1995:90-109) distinguish four main rural traditions in Europe, which are not mutually
exclusive nor all-embracing:

1. **Agrarian tradition**: rural areas are perceived as productive surfaces for agriculture.
   Family farms form a cornerstone in national stability and identity, and agricultural
issues have a central place in national politics. This tradition prevails in France, Denmark, Ireland, the Netherlands, Belgium and Germany.

2 Naturalist tradition: rural areas are seen as consumption space of landscape and nature. This view is an urban-centred notion of rural and is usually accompanied by a belief that the traditional rural way of life is superior to contemporary urban and rural life. The formation of amenity groups, preservationist societies and natural history organizations are institutional expressions of this view. This tradition is dominant in Britain, and it can be explained by Britain’s early industrialization: the notion of an idealized countryside, outside industrialized towns with its poor living conditions, functioned as a mainstay for urban dwellers. This tradition, together with the agrarian tradition, is also present in the Netherlands, Belgium, France and Germany.

3 Mediterranean tradition: in this tradition, rural areas have little cultural or ideological value in terms of identity. Spatial organization is mainly dictated by cities, ports and major towns, due to physical conditions of small strips of land suitable for economic activities and residence amid large mountainous areas. Rural areas are regarded as hindrances to the establishment of a modern national economy, and are predominantly associated with a large and backward agricultural sector, comprised of both giant landholdings and smallholdings that are generally too small to support a household. This tradition is typical of Spain, Portugal, Italy and Greece.

4 Marginalist tradition: the conception of rural is linked to a physical environment, which is highly valued for its wilderness and mountainous habitat, but which constrains human activities. The integration of environmental protection with agricultural, forestry and fishing practices is essential in this view. This tradition is found in Finland, Sweden, Norway, Austria and Switzerland.

Although these four rural traditions are only presented here in order to give a general overview of the main representations in the constructivist approach in the EU member states, it has to be emphasized that in each country many other social representations of rurality exist as well. Out of the four traditions, the Mediterranean tradition is the only one with a relatively negative valuation of rurality.

Concepts of rurality of the European Commission

We examine the concept of rurality of the European Commission by analyzing a number of its ‘strategic’ papers. These papers refer to main benchmarks in the formulation and implementation of EU rural development policy: the reform of the Structural Funds (1988), the start of LEADER (1991) and preparations for Agenda 2000, which concerns EU rural development policy in the period 2000-2006. The various phases of EU rural development policy will be dealt with in Section 2.4; here the focus is on concepts of rurality.

In ‘The future of rural society’ (CEC, 1988:5, 16) - written in the scope of the reform of the Structural Funds - rural areas are described as territorial entities with a coherent economic and social structure of diversified economic activities. These territorial entities may include villages, small cities and regional centres. Based on this description, the Commission concludes that rural areas cover 80% of the total area in the EU12 and that half of its population lives there (CEC, 1988:16). However, no further specification is
given as to where these rural areas are located, nor reference to criteria used to classify 80% of the EU area as rural. The description of rural areas as territorial entities fits the territorial approach to rurality. In addition to terms like rural economies, rural regions and rural municipalities, rural areas are also often indicated as areas with a large share of agricultural employment or as non-urban. So it can be said that the Commission uses, in addition to the territorial approach, the spatial approach as well. This mix is also apparent in the Commission’s classification of rural areas according to three standard problems with which they are confronted:

1. rural areas under pressure from the developments of modern society;
2. stagnation of rural regions due to structural backwardness;
3. stagnation of remote rural regions with structural and natural handicaps.

The first standard problem, which refers to green areas outside urban centres, in which the environment is threatened, can be labelled as a spatial approach of rural. In the other two standard problems a territorial approach is used. The second standard problem deals with regions, which experience outmigration due to a lack of jobs and insufficient diversification of the economy. The third standard problem is an intensification of the second one: these remote regions face a larger depopulation and possibilities for diversification are small.

In the Community Initiative LEADER (Liaison Entre Actions de Développement de l’Économie Rurale), launched by the Commission in 1991, rural refers to (groups of) local communities with 5,000 to 100,000 inhabitants (CEC, 1991). In the Agricultural Strategy Paper, dealing with future orientations of the Common Agricultural Policy (CAP) in the scope of the enlargement of the EU to include Central European countries, the same view on rural is put forward (EC, 1995:32-3). In the Cork Declaration - issued at the European Conference on Rural Development (1996) - rural areas are described as (Plumb, 1996:2):

areas - which are the home of a quarter of the population and account for more than 80% of the territory of the European Union - [and which] are characterised by a unique cultural, economic and social fabric, an extraordinary patchwork of activities, and a great variety of landscapes (forests and farmland, unspoiled natural sites, villages and small towns, regional centers, small industries).

Here again no indication of the location of rural areas in the EU is given, but the difference with ‘The future of rural society’ is striking: population in rural areas has shrunk from half the EU population in 1988 to a quarter in 1996. The enlargement of the EU to include Finland, Sweden and Austria in 1995 - countries which possess large areas with a low population density - may contribute to this reduction, but the reduction can also be due to a redrawing of what 80% of EU territory entails. Although the Cork Declaration is juridically speaking not an official statement of the European Commission, it was immediately embraced by Mr. Fischler, the EU Commissioner for Agriculture. The concepts of rurality put forward by LEADER, the Agricultural Strategy Paper and the Cork Declaration fit the territorial approach.

In the proposals for ‘Agenda 2000’ the Commission adopted the description of rural areas given in the Cork Declaration (EC, 1997a:6-9). For the first time, they gave a clear explanation of rural areas: local communities with less than 100 inhabitants per square kilometre. Using this criterion, about 17.5% of the EU population lives in rural areas.
which cover over 80% of EU territory. However, the Commission also uses another classification of rural areas based on the degree of integration into the national economy:

1. **integrated rural areas:** areas with an employment base in the secondary and tertiary sectors, a growing population and potential threats to their environmental, social and cultural heritage;
2. **intermediate rural areas:** areas relatively distant from urban centres with a varying mix of primary and secondary sectors;
3. **remote rural areas:** areas with low population densities, heavily dependent on agriculture, isolated by topographic characteristics and providing only the least adequate basic services.

With regard to the above classification, it is unclear whether the Commission refers in this classification to territorial entities, with a local or regional economy or to areas with characteristics different from urban spaces.

Reviewing the concepts of rurality of the European Commission, it appears that rurality is often viewed according to a territorial approach although a spatial approach is sometimes used. This twofold approach is also apparent in EU rural development policy (see Section 2.4).

**Concepts of rurality of the OECD**

Within the Organization for Economic Cooperation and Development (OECD), two main typologies of rurality can be found: degree of integration into both the national and global economies and population density (OECD, 1996b:4). Both typologies match the territorial approach.

In the first typology, integration in the national/global economy is expressed in terms of distance of a local economy to a major urban centre. Distance does not only refer to physical distance *per se*, but to constraints due to inadequate transportation and telecommunications structure or cultural barriers such as language as well (OECD, 1993:33 a.f.). In this typology three kinds of local economies are distinguished:

1. **remote areas:** these are peripheral, sparsely populated zones; transportation to major urban centres is inconvenient and time-consuming, which limits commuting or even relatively casual business travel;
2. **intermediate areas:** local economies that are still heavily dependent on employment in the agricultural sector, due to insufficient economic diversification;
3. **economically integrated areas:** local economies, often located at the edge of urban centres, with a diversified economic structure. Usually the population in these areas is on the increase due to attractive rural assets.

This typology closely follows the EU classification of rural areas according to their integration into the national economy.

The second typology is based on population density at local and regional level (see Annex 2.1 for methodology) and also distinguishes three groups of regions (OECD, 1994):

1. **predominantly rural regions;**
2. **significantly rural (or intermediate) regions;**
3. **predominantly urban regions.**
This typology has been used - with some adjustments - by the European Commission in its proposals for ‘Agenda 2000’ (EC, 1997a).

The use of rurality in this study

From the discussion of the different concepts of rurality used by the EU member states, the European Commission and the OECD, we have shown that the picture is far from uniform. On the whole, it could be argued that the choice of a definition of rurality depends on the issue to be addressed (Du Plessis et al., 2001). Selecting a definition of rurality in a study focused on economic development in rural areas implies that rural is explicitly linked with a distinctive type of locality. Within this classification, it can be said that the territorial approach is appropriate, as it enables us to consider rural space as a territorial entity with a local or regional economy comprising agricultural, industrial and services activities. By using the territorial approach to rurality we can take all relevant economic relationships into account.

Our choice implies that a large number of rural regional economies in Europe can be distinguished. These are labelled here as ‘rural regions’. Hoggart et al. (1995:29-31) recommend this term for indicating regions with a relatively low population density, an open countryside with towns and a diversified economic base. Usually, the size of a rural region reflects a functional labour market area. We have delineated rural regions in the EU15 by using a set of 465 regions at NUTS2 and NUTS3 level2 (Esposti et al., 1999:21). By using the OECD methodology of classifying regions according to their population density, we have categorized our set of regions into most rural regions, intermediate rural regions and most urban regions (Annex 2.1). The distribution of regions over the three classes of rurality is given in Table 2.1 and graphically presented in Fig. 2.1.

Table 2.1 Classification of EU15 regions by degree of rurality, 1998a) and share of population and land area in the three rurality groups, 1993 (%)

<table>
<thead>
<tr>
<th>Degree of rurality</th>
<th>Number of regions</th>
<th>% population</th>
<th>% land area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% population</td>
<td>% land area</td>
</tr>
<tr>
<td>Most rural regions</td>
<td>195</td>
<td>42</td>
<td>18</td>
</tr>
<tr>
<td>Intermediate rural regions</td>
<td>164</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Most urban regions</td>
<td>106</td>
<td>23</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>465</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

a) Excluding regions in the former DDR.
Source: Esposti et al., 1999:22; RUREMPLO project.
Half of EU population lives in rural regions

According to our classification of regions, about one-fifth of the EU population resides in the most rural regions and one-third in the intermediate rural regions (Table 2.2). Together they occupy nearly 90% of the land area of the EU, leaving just over 10% of the land area for the population in the most urban regions. This pattern varies among the member states. In Denmark, France, Ireland, Austria, Portugal, Finland and Sweden over two-thirds of the population lives in rural regions, whereas Belgium, the Netherlands and to a lesser extent the UK are rather urbanized in view of the fact that over two-thirds the population resides in the most urban regions.

a) Excluding regions in the former DDR.
Source: RUREMPLO project.
### Table 2.2 Share of population and land area in the EU regions, 1993 (as % of national total)

<table>
<thead>
<tr>
<th></th>
<th>Most rural Population</th>
<th>Intermediate rural Population</th>
<th>Most urban Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>2</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Denmark</td>
<td>39</td>
<td>68</td>
<td>27</td>
</tr>
<tr>
<td>Germany</td>
<td>6</td>
<td>16</td>
<td>45</td>
</tr>
<tr>
<td>Greece</td>
<td>48</td>
<td>81</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>17</td>
<td>52</td>
<td>39</td>
</tr>
<tr>
<td>France</td>
<td>30</td>
<td>61</td>
<td>41</td>
</tr>
<tr>
<td>Ireland</td>
<td>71</td>
<td>99</td>
<td>-</td>
</tr>
<tr>
<td>Italy</td>
<td>9</td>
<td>27</td>
<td>45</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Austria</td>
<td>49</td>
<td>82</td>
<td>32</td>
</tr>
<tr>
<td>Portugal</td>
<td>28</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>Finland</td>
<td>61</td>
<td>90</td>
<td>14</td>
</tr>
<tr>
<td>Sweden</td>
<td>49</td>
<td>89</td>
<td>32</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15</td>
<td>53</td>
<td>18</td>
</tr>
<tr>
<td>EU</td>
<td>18</td>
<td>60</td>
<td>34</td>
</tr>
</tbody>
</table>

* '-' denotes that the group does not exist.

Source: RUREMPLO project.

#### 2.3 Socio-economic trends in rural regions

Taking the rural region - as defined above - as a basic research unit, we continue with a discussion of main socio-economic trends in rural regions in the EU since the beginning of the 1980s. There is a wide belief that rural regions are synonymous with decline, although recent literature presents some evidence that the image of rural regions as losers of population and jobs needs some re-adjustment (OECD, 1996a; Bollman and Bryden, 1997; EC, 1997a). Counterurbanization and the emergence of dynamic rural regions have been identified as the main factors which invalidate the stereotyped image. In this section, we will explore these suggested shifts in socio-economic trends in rural regions. First, we focus on some economic disadvantages in rural regions, which are often associated with the rural exodus. Then, we explore the development pattern by making a comparative analysis of some socio-economic indicators in most rural, intermediate rural, and most urban regions in the EU since the beginning of the 1980s. Finally, as our findings support the above suggestion of a fairly varied pattern of socio-economic development in rural regions, we discuss some factors that are related to this reversal.

**Some often mentioned economic disadvantages of rural regions**

The wide belief that rural regions are synonymous with decline is often associated with a number of characteristics and features that are thought to place rural regions at a disadvantage in the rapidly changing global economy such as (OECD, 1993):

- Rural regions have a relatively large agricultural sector compared with urban regions (Table A2.1). The labour-saving structural adjustments in the agricultural
sector exert continuous pressure on the labour market in rural regions. The creation of jobs in the industrial and services sector is crucial for absorbing the abundant agricultural labour force. If this job creation is insufficient, two harmful effects may arise. First, labour tends to stay in the agricultural sector, thereby preventing its modernization and leading to underemployment. Second, workers leave to look for a job elsewhere, resulting in erosion of the human resource base in rural regions. Nowadays the manufacturing sector, to which rural people turned for jobs, also suffers from overall employment contraction, leaving the services sector as most promising source of new rural employment.

- Rural regions lack advantages of agglomeration and economies of scale that characterize metropolitan areas, advantages which are attractive for many firms. A consequence of this lack is, for example, that rural regions have not shared proportionately in producer services employment, which is a major engine of national economic growth. Other consequences refer to the higher unit costs for many public, consumer and business services in rural regions and to the more difficult access for local governments and rural business to increasingly important expert services. Finally, the wider geographic dispersion of consumers and producers compared with urban regions generally gives rise to higher transportation and transaction costs.

- Many rural regions are not well connected to the transport and communication networks linking major urban nodes, which are critical sources of information, innovation, technology and finance. Such sources facilitate development. These disadvantages may result in a scarcity of economic opportunities, especially well-paying jobs, and thus, relatively low per capita incomes; declining levels of public services and other facilities; and outmigration of economically active people - in particular high-educated young workers - resulting in declining and ageing rural populations and threats to the rural fabric. However, as it is rather difficult and time-consuming to find comparable data at the regional level for all the socio-economic items above, no systematic research across the EU or OECD rural regions has been carried out in order to check whether these supposed disadvantages negatively affect economic performance in rural regions or whether they are counterbalanced by other factors.

Although it is tempting to pay attention to these items above in our analysis of socio-economic developments in rural regions since the beginning of the 1980s, we do not have the data to do so. Therefore, we restrict ourselves to some general but often used indicators for describing socio-economic trends in rural regions of the EU (OECD, 1996a; EC, 1999a). These are GDP/capita, unemployment rates, the sectoral structure of employment, employment growth and population growth. We discuss these indicators by means of a comparative analysis of developments in most rural regions, intermediate rural regions and most urban regions.

**GDP per capita in rural regions usually lower than in urban regions**

Within the EU the level of GDP per capita largely varies among member states: it is relatively low in Greece, Spain, Portugal and Ireland and relatively high in Denmark, Germany and Luxembourg (Table 2.3). With the exception of Greece, the Netherlands, Portugal and the UK, the highest income per capita is found in the most urban regions and the lowest in the most rural regions, with the intermediate rural regions sandwiched
Table 2.3 GDP per capita in the EU regions, ‘1980-1993’ (ECU, index EU = 100)

<table>
<thead>
<tr>
<th>Period Y1-Y2</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most rural</td>
<td>Interim. rural</td>
</tr>
<tr>
<td>Belgium</td>
<td>1980-93</td>
<td>95</td>
</tr>
<tr>
<td>Denmark</td>
<td>1980-93</td>
<td>118</td>
</tr>
<tr>
<td>Germany</td>
<td>1980-93</td>
<td>98</td>
</tr>
<tr>
<td>Greece</td>
<td>1980-93</td>
<td>47</td>
</tr>
<tr>
<td>Spain</td>
<td>1980-93</td>
<td>49</td>
</tr>
<tr>
<td>France</td>
<td>1986-93</td>
<td>99</td>
</tr>
<tr>
<td>Ireland</td>
<td>1980-91</td>
<td>.</td>
</tr>
<tr>
<td>Italy</td>
<td>1980-93</td>
<td>.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1986-93</td>
<td>-</td>
</tr>
<tr>
<td>Austria</td>
<td>1981-92</td>
<td>73</td>
</tr>
<tr>
<td>Portugal</td>
<td>1985-93</td>
<td>28</td>
</tr>
<tr>
<td>Finland</td>
<td>1980-93</td>
<td>93</td>
</tr>
<tr>
<td>Sweden</td>
<td>1980-93</td>
<td>.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1981-93</td>
<td>99</td>
</tr>
<tr>
<td>EU</td>
<td>1980-93</td>
<td>79</td>
</tr>
</tbody>
</table>

‘-’ denotes that the group does not exist; ‘.’ denotes that data is not available.
Source: RUREMPL0 project.

in between\(^4\). For the EU as a whole, GDP per capita in most rural regions is about 20% below the EU average, in intermediate rural regions it is less than 5% below, and in most urban regions it is about 10% above the EU average.

Unemployment rates in rural regions not always higher than those in urban regions
In the EU, about 10% of the working population is unemployed. However, due to the large differences in the level of unemployment rates among member states, it does not make much sense to look at EU averages in the three groups of regions. For example, Spain, and to a lesser extent Ireland and Finland, have high unemployment rates, whereas Luxembourg and Austria have modest unemployment levels (Table 2.4). In some countries like Belgium, Denmark, Italy, the Netherlands, Finland and Sweden, unemployment rates tend to be higher in rural regions, whereas in other countries urban regions have the highest unemployment rates.

Convergence sectoral structure of employment
Differences in the sectoral structure\(^5\) of employment between rural and urban regions tended to decrease during the study period (Table A2.1). This convergence was mainly the result of a decline in the share of agricultural and industrial employment and an increase in services employment (Table A2.2). In the early 1990s, about 60% of the EU labour force was employed in the services sector and about 30% in the industrial sector. The average share of employment in agriculture in the most rural regions declined from 20% in the early 1980s to 13% in the early 1990s. Only in the most rural regions of Greece, Spain and Portugal did the agricultural sector employ 20% or more of the labour
### Table 2.4 Unemployment rates in the EU regions, 1985-1995 (%)

<table>
<thead>
<tr>
<th>Period</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most rural</td>
<td>Interim. rural</td>
</tr>
<tr>
<td>Belgium 1985-95</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Denmark 1985-95</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Germany 1985-95</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Greece 1981-91</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Spain 1985-95</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>France 1985-95</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Ireland 1985-94</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Italy 1985-95</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Luxembourg 1985-95</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Netherlands 1987-95</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>Austria 1990-95</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Portugal 1990-95</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Finland 1985-95</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Sweden 1985-95</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>United Kingdom 1985-95</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>EU 1985-95</td>
<td>10</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: RUREMPLO project.

force in the beginning of the 1990s. In the intermediate rural regions, the agricultural sector employed on average 7% of the labour force in the beginning of the 1990s against 3% in the most urban regions.

**Rural regions tend to have higher population growth than urban regions**

During the 1980s and early 1990s, all three groups of regions in the EU showed a population increase, which was highest in the intermediate rural regions (Table 2.5). In most member states, rural regions experienced a population growth that was above the rate in urban regions. The exceptions are Germany, Portugal, Finland and Sweden with a faster population increase in urban regions. Population growth in the most rural regions in Spain and France was also below that in urban regions. In some countries, population in the most rural regions increased at a higher rate compared to the intermediate rural regions; in other countries population growth was highest in intermediate rural regions. It has to be noted that population growth does not only result from natural increase, but also from immigration. We do not have migration data for the whole set of EU regions; however, data for the case study regions show that migration is an important factor in population growth in rural regions (Section 5.4).

**Leading and lagging rural regions**

So far, we discussed socio-economic trends in the most rural, intermediate rural and most urban regions within countries. We now turn back to the whole set of EU regions in order to examine differences in employment and population growth within the groups of most rural and intermediate rural regions. For this purpose, a distinction of the groups into
Table 2.5  Population growth in the EU regions, 1980-1993 (% p.a.)

<table>
<thead>
<tr>
<th></th>
<th>Period</th>
<th>Most rural</th>
<th>Intermediate rural</th>
<th>Most urban</th>
<th>National average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Y1-Y2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>1980-93</td>
<td>0.5</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>1980-93</td>
<td>0.1</td>
<td>0.3</td>
<td>-0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Germany</td>
<td>1980-93</td>
<td>0.6</td>
<td>0.5</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Greece</td>
<td>1980-93</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Spain</td>
<td>1980-93</td>
<td>0.0</td>
<td>0.5</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>France</td>
<td>1980-93</td>
<td>0.3</td>
<td>0.7</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>1985-93</td>
<td>0.1</td>
<td>-</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Italy</td>
<td>1980-93</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1980-93</td>
<td>-</td>
<td>0.7</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1980-93</td>
<td>-</td>
<td>0.9</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Austria</td>
<td>1981-94</td>
<td>0.4</td>
<td>0.6</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Portugal</td>
<td>1985-93</td>
<td>-0.4</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>Finland</td>
<td>1980-93</td>
<td>0.3</td>
<td>0.0</td>
<td>1.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>1980-93</td>
<td>0.2</td>
<td>0.4</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1980-93</td>
<td>0.6</td>
<td>0.5</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>EU</td>
<td>1980-93</td>
<td>0.3</td>
<td>0.5</td>
<td>0.3</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: RUREMPLO project.

leading and lagging regions is a useful tool of analysis. To determine whether a region is leading or lagging, many yardsticks can be considered such as employment growth, GDP per capita, GDP growth, population growth and unemployment rates. Depending on the aim of the study, one yardstick or a combination of yardsticks can be used. As creation of jobs is an important issue in rural development policy (see next section), employment growth was used as yardstick. This yardstick was also used in the RUREMPLO project, which distinguished leading, average and lagging regions based on the performance of non-agricultural employment growth during the 1980s and early 1990s. In the RUREMPLO project, a region is considered to be leading if the growth rate of non-agricultural employment was 0.5 percentage points above the national growth rate; on the other hand, a region is considered to be lagging if the growth rate of non-agricultural employment was 0.25 percentage points below the national growth rate (Esposti et al., 1999). These thresholds are rather subjective and chosen as the result of ‘trial and error’: by using these thresholds, the groups of leading, average and lagging regions covered about one-quarter to one-third of all regions. By relating the regional growth rate to the national growth, regional growth rates are corrected for differences among the absolute level of national growth rates. This correction makes sense as the national average employment growth widely varies among EU countries. Clearly, in the studied period macro-economic conditions for employment growth were more favourable in countries like the Netherlands, Ireland, Greece and Portugal relative to countries like Finland and Italy. Due to our correction we try to explain that part of regional growth which is assumed not to be affected by macro-economic factors but brought about by regional factors (see Section 5.3 for a further discussion of this issue). It has to be emphasized that here the labels leading and lagging are only derived from employment performance, and that leading regions may be less successful with regard to other indicators like GDP per
capita, GDP growth and unemployment rates. Moreover, it appears that the growth rate of employment can change when using another period. This implies that if a region is labelled as lagging, this is not necessarily a permanent situation, but it can change (Reimer, 2000).

By using the RUREMPLO method of calculation, 30% of the most rural regions and 35% of the intermediate rural regions are classified as leading and 25% of the most rural regions and 22% of the intermediate rural regions as lagging (Fig. 2.2). One of the most striking differences between the group of most rural and intermediate rural regions on the one hand, and the group of most urban regions on the other hand is that the latter has relatively fewer leading regions and more lagging regions. In contrast, the group of intermediate rural regions shows the largest share of leading regions. Looking at the map of leading and lagging most rural and intermediate rural regions (Fig. 2.3), it can be seen that both leading and lagging regions are often clustered in groups. However, the expectation, that leading regions tend to have a more favourable location along coastlines that gives access to waterways/ports and that is attractive for tourists, is not supported by our evidence, as quite a large number of lagging regions are located along coastlines as well. On the other hand, although inner parts of countries may be less favourable locations, it appears that both lagging and leading regions are located in these parts.

Figure 2.2 Distribution of leading and lagging regions in the three rurality groups

![Figure 2.2](image)

a) Figures above the bars denote the number of regions in the group.
Source: Esposti et al., 1999:11.
Figure 2.3  Leading and lagging most rural and intermediate rural regions in the EU

Source: RUREMPLO project.

Employment pattern

Employment development in the 1980s in all categories of regions reflects a common pattern found in advanced countries: a decrease in agricultural employment and an increase in service employment (Table 2.6). Lagging rural regions experienced a larger loss of agricultural jobs and a smaller increase in services employment than the leading rural regions. The surprising element is, however, the increase in industrial employment in the leading most rural and intermediate rural regions, as it is usually taken for granted that industrial employment declined in EU countries in this period (EC, 1997b). This can be interpreted as an indication that the ruralization of industry, which is often thought to have peaked in the 1960s and early 1970s (Healey and Ilbery, 1985:8), continued to take place in a number of rural regions in the EU. A second striking point in regional employment growth is that employment in the leading most rural and intermediate rural regions increased at a higher rate than that in the most urban regions. This seems to be related to two developments: a decrease in employment in industries in the most urban regions on the one hand, and a higher rise in employment in services in the most rural and intermediate rural regions on the other hand.
Table 2.6 The annual rate of change in employment and population by types of regions in ‘1980-93’ a) (%)

<table>
<thead>
<tr>
<th>Regions</th>
<th>Employment growth</th>
<th>Population growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Leading most rural</td>
<td>0.8</td>
<td>-3.7</td>
</tr>
<tr>
<td>Leading intermediate</td>
<td>1.0</td>
<td>-3.6</td>
</tr>
<tr>
<td>Lagging most rural</td>
<td>-0.7</td>
<td>-4.6</td>
</tr>
<tr>
<td>Lagging intermediate</td>
<td>-0.7</td>
<td>-4.8</td>
</tr>
<tr>
<td>Most rural regions</td>
<td>0.0</td>
<td>-4.1</td>
</tr>
<tr>
<td>Intermediate regions</td>
<td>0.4</td>
<td>-3.9</td>
</tr>
<tr>
<td>Most urban regions</td>
<td>0.5</td>
<td>-3.3</td>
</tr>
<tr>
<td>All regions</td>
<td>0.4</td>
<td>-3.9</td>
</tr>
</tbody>
</table>

a) ‘1980-1993’ is an approximation of the period; the beginning and end of the period vary somewhat among countries.

Source: RUREMPLO project.

Employment dynamics related to population growth
The leading most rural and intermediate rural regions also showed a population growth in the 1980s and early 1990s, whereas population growth in the lagging rural regions stagnated (Table 2.6), indicating that employment growth and population growth tend to go hand in hand. The population in the leading intermediate rural regions increased at a higher rate than that in the leading most rural regions, but population growth in both groups of leading regions was above that in urban regions.

Socio-economic patterns in rural regions: a mosaic
The comparative analysis of socio-economic indicators in rural regions in the 1980s and early 1990s in the preceding paragraphs largely supports the view that rural regions are no longer exclusively the scene of decrease in jobs and population. Although the decline in agriculture, both in economic terms and in relation to numbers employed in the sector, has been identified as a major trend, it is paralleled by a growing diversity of employment in the industry and services sector, which in quite a number of cases compensates for the employment loss in agriculture. In addition, most rural regions experienced some population growth. So the picture of rural regions that seems to emerge should be seen rather in terms of ‘a new mosaic of rural regions’ (Persson and Westholm, 1994) with winners, in-betweens and losers.

This mosaic of rural regions directly raises questions about factors behind this pattern. From the literature, there is a suggestion that these factors are related to an interplay of local and global forces. Territorial dynamics, changes in the social composition of rural population through immigration, and the current globalization process are thought to be main determinants in this interplay, as is discussed below.
First, the concept of territorial dynamics has been put forward in a shift share analysis, in which the OECD (1996a:57-61) has tested the hypothesis whether the differences in employment performance in OECD rural regions during the 1980s could be explained by the sectoral mix. It appeared that the sectoral mix could explain only a part of the divergence in employment performance and that a large residual part was remaining. The OECD (1996a:57) labelled this residual factor as ‘territorial dynamics’ and suggested that this depends on specific regional and local factors, structures and tendencies such as entrepreneurial traditions, public and private networks, work ethics, regional identity, participation and attractiveness of the cultural and natural environment.

Second, population growth does not only result from natural increase, but also often from inmigration. Migrants are a diverse group: they can be made up of economically active people, retirees and return migrants. When migrants originate from urban areas, this inmigration is often referred to as counterurbanization. In addition, rural regions experience temporary inmigration like seasonal movements for vacation and recreation purposes. These newcomers affect the social composition of the rural population, resulting in new social configurations which vary among regions. Van den Bor et al. (1997:17-24) propose in this context the concept of ‘arena society’, which is an amalgam of old and new conditions. The old conditions refer to the experience of rurality by farmers and industrial workers; the new conditions to lifestyle values like rural idyll, environmental quality, return to the land and cheaper standard of living, which newcomers attach to rurality. The aspirations and expectations of the newcomers pose an unprecedented challenge to the prevailing culture. In this arena, development in rural regions depends on complex economic, social and political processes, in which the various groups of actors are attempting to achieve outcomes commensurate with their aims (Lowe et al., 1993:218; Flyn and Marsden, 1995:1182). The outcome of these processes largely varies among regions, depending on the power relations between the various groups of actors.

Third, the external environment of rural regions is affected by the current globalization process, comprising economic, social, political and environmental changes like the increasing mobility of capital; a delinking of the different stages of production, which has consequences for the organization of firms; shrinking distances as a result of developments in the communications technology sector; geopolitical changes such as the end of the Cold War; and trade liberalization negotiations.

*Rural restructuring emerges from global/local interaction, but ...*

Combining these three notions of dynamics - territorial dynamics, population dynamics and global dynamics - we arrive at the view of ‘rural restructuring’ (Van den Bor et al., 1997:11-7). According to this view, rural development emerges from an interaction of effects produced by global forces and local responses. The global forces originate from the current globalization process, while the local responses refer to the diversification of economic activities and the adjustment to new conditions by local actors. Van den Bor et al. suggest that these local responses depend to a large extent on the structural and institutional make-up of the community, its history, the local leadership, and how the effects of restructuring are interpreted: as a threat or as an opportunity. As local responses largely vary among regions, the rural restructuring process is complex and
differs among regions. This view of rural restructuring suggests that factors behind the different performance of rural regions are related to this global/local interaction. The perception that development in rural regions is a matter of global/local interaction is reflected in several rural development policy measures and theories, which will be discussed later.

... is coloured by national conditions

However, it should be noted that the above suggestion of global/local interaction does not imply that territorial units like rural regions are significant causal factors in the global process of socio-economic change. As the primary dimensions of behaviour are structured at a higher level than the community or regional level, local and regional socio-economic processes should be positioned with regard to national and transnational causal forces (Hoggart et al., 1995:9-10). The importance of the national level can, for example, be illustrated by the fact that central governments are the most important distributors of resources for public infrastructure, social security, education etc. (Keating, 1999). In addition, macro-economic policy for ensuring economic stability is also implemented at national level. Another important aspect of the passing over of the national level as a major causal imprint is that we should not assume that global processes are generalizable across space, but that global forces might be heavily conditioned by national structures as well (Hoggart et al., 1995:10). Hence the view of rural restructuring should rather be seen in terms of a global/local interaction, coloured by national conditions. We return to the national impact on socio-economic development in rural regions in Section 5.3.

2.4 Rural development policy

Socio-economic disparities among regions, as discussed in the previous section, constitute a main rationale for implementing rural development policy in order to improve the socio-economic situation in rural regions. In this section we will focus on several aspects of rural development policy. First, we deal with the reasons why such a rural development policy is implemented and provide an overview of main shifts in rural development policy (Section 2.4.1). Then, we examine the contents of the policy (Section 2.4.2-3), followed by some comments on the governance framework (Section 2.4.4-5). We conclude this section by a brief discussion of dissident views on several shifts in rural development policy (Section 2.4.6).

2.4.1 Policy aimed at reducing regional disparities

Disparities in socio-economic trends among regions, as discussed in the previous section, may give rise to differences in the socio-economic outlook among urban and rural regions on the one hand, and within the group of rural regions on the other hand. It is widely recognized that regional disparities in GDP/capita and unemployment rates, which persist for long periods, may have a number of harmful effects (Armstrong and Taylor, 2000:206-7):

1 The existence of a large number of unemployed is economically inefficient, as the
unemployed do not produce output. The whole nation would be better off if unemployment could be permanently reduced in high unemployment regions without leading to a loss of jobs in regions with low unemployment.

2 Labour shortages during booms in low unemployment regions may result very quickly in inflationary pressures, because firms tend to raise wages in the intense competition for scarce labour. This wage inflation is transmitted to other regions through inter-plant bargaining within firms and through national wage agreements. Moreover, inflationary pressures in the labour market may spill over to other markets. Reducing regional disparities in the excess demand for labour would reap benefits for the whole economy by reducing inflationary pressures.

3 Rapidly growing regions inflict severe economic costs through the congestion of social capital like buildings, roads, railway networks and airports. The classic response to relieve this congestion is further investments to enlarge the existing facilities. On the other hand, these facilities are often under-utilized in stagnating regions. A more equal distribution of economic activities over regions relieves the congestion in rapidly growing regions and slows down the demand for social capital.

4 The existence of regional disparities in living standards causes dissatisfaction and resentment, especially among those whose job prospects and living standards are poor.

The rationale behind the implementation of regional policy is to reduce disparities in economic opportunities and social conditions among regions. Regional policy includes all forms of public intervention intended to ameliorate the geographical distribution of economic activities. It aims at the achievement of two interrelated objectives: economic growth and improved social distribution. In doing so, regional policy tries to correct certain spatial consequences of the free market economy (Vanhove, 1999:57). Intervention in the market mechanism in favour of equity has costs in terms of economic efficiency: variation in global welfare in a situation with and without intervention (Leon, 1999:17-8). Regional policy covers a wide range of measures directed at economic diversification, improvements in transport and communications networks, human resource management, access to basic services, provision of business sites etc. The strive to reduce regional disparities is not only an important issue at the national level, but at EU level as well.

_Economic and social cohesion among EU regions_

EU intervention in regional disparities can already be found in the Treaty of Rome (1957) (Vanhove, 1999:415-7), whereas the intention to implement regional policy is explicitly expressed in article 130A of the Single European Act (1987):

> In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.

> In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.

Especially, the successive enlargements of the EU to include the relatively poor member states of Greece, Spain and Portugal in the 1980s made the issue of regional disparities urgent. In the Maastricht Treaty (1992), the words ‘including rural areas’ were added at the end of article 130A. Since this treaty, the concept of economic and social cohesion constitutes one of the three pillars of the EU, alongside the single market and the economic and monetary union (EMU).
**Rural development policy**

In this study, we indicate regional policy directed at rural regions briefly as ‘rural development policy’. However, it should be noted that this is a rather restricted view of rural development policy. Often, in addition to the goal of reducing socio-economic disparities among regions, safeguarding rural amenities is also an important concern of rural development policy. This concern reflects the fact that rural regions possess a wide variety of rural amenities such as cultural landscapes of outstanding scenic beauty or high natural value, settlements with a rich history and architectural remains, traditional villages etc. These amenities can be considered as public goods to which high value seems to be attached (OECD, 1998:25). Rural amenities may be threatened by deterioration as a result of changes in economic and land use patterns. These threats may arise, for example, from poorly planned residential or commercial development, uncontrolled tourism, overly intensive agricultural production practices or land abandonment. Hence, a second, more societal goal of rural development policy is to strive at developing and/or protecting key elements of the built and natural environment in rural regions, especially where it cannot reasonably be expected that private market transactions alone will secure the future of this rural heritage (OECD, 1993:16). Of course, there is a strong relationship between both goals of rural development policy as economic activities may have consequences for the development of rural amenities. In this study on economic development in rural regions, we will restrict ourselves to the economic aspects of rural development policy. However, when rural amenities are directly linked to economic activities, we will take them into account.

**Four shifts in rural development policy**

Within our approach of rural development policy, two main strands can be distinguished. The first one concerns measures aimed at the agricultural sector; the second strand covers measures aimed at the more general development of the rural economy (Van den Bor *et al.*, 1997:41; EC, 1997a:36). As a consequence of the common agricultural market, agricultural measures are closely related to EU policies. With regard to the contents and implementation of rural development policy, four main emerging shifts can be identified (Fig. 2.4). With regard to the measures aimed at the more general development of rural economies, one sees a shift from measures encouraging inward investments towards measures enhancing the local development potential. This shift seems to be strongly induced by the changing global context that poses new demands on the organization of firms. Where agricultural measures are concerned, there has been a gradual shift from measures directed at productivity growth towards measures emphasizing the...

**Figure 2.4  Four emerging shifts in rural development policy**

<table>
<thead>
<tr>
<th>Field</th>
<th>Shift from</th>
<th>Towards</th>
</tr>
</thead>
<tbody>
<tr>
<td>General development measures</td>
<td>Encouragement of inward investments</td>
<td>Enhancing local development potential</td>
</tr>
<tr>
<td></td>
<td>(exogenous development model)</td>
<td>(endogenous development model)</td>
</tr>
<tr>
<td>Agricultural structural policy</td>
<td>Productivity growth (productivism)</td>
<td>Multifunctionality (postproductivism)</td>
</tr>
<tr>
<td>Coverage of policy</td>
<td>Sectoral</td>
<td>Territorial</td>
</tr>
<tr>
<td>Governance</td>
<td>Top-down</td>
<td>Bottom-up</td>
</tr>
</tbody>
</table>
multifunctional role of the agricultural sector. This shift is also often referred to as a shift from productivism to postproductivism (see for example Clark et al., 2000; Lowe et al., 1993), or as a transformation from the modernization paradigm to the rural development paradigm, in which highly mono-functional farms are being replaced by new multifunctional agricultural enterprises, supplying new products and services like landscape conservation, new nature values, agrotourism, organic farming, and high quality and region-specific products, associated with the development of new markets (Broekhuizen et al., 1997; Ploeg et al., 2000). In rural development policy, the trend entails a movement from sectoral to territorial policy. Finally, in governance an emerging shift from top-down to bottom-up can be perceived. We discuss these shifts in the following sub-sections. In order to understand the nature of the shifts, the period under review extends beyond that covered in the rest of this study and starts in the 1950s.

2.4.2 General development measures

General development measures are concerned with the overall socio-economic development in rural regions. The development of these measures has to be considered in the context of major changes in the global economic scene: the economic recession of the 1970s, with closures of many large firms and the emergence of small and medium sized successful firms, and the global restructuring process due to rapid changes in the information and communications technology in the 1980s and 1990s, in which network firms become the prototype. As we will see in the next chapter, there is a close interaction between applied development measures and the sequence of theories put forward in the debate on economic development in rural studies (Section 3.3).

Exogenous development model

In the first decades after World War II, most EU countries applied a policy aimed at encouraging inward investments in rural regions (i.e. investments from other regions or abroad). These investments were mainly used for branch plants, relocation of firms, the creation of growth poles and improvements in infrastructure. In addition, several government services were relocated from urban regions to rural regions. Services, and in particular producer services, are less likely to decentralize from cities than manufacturing plants. They are not only less pressured by space considerations, but they need the proximity of business they support (Hoggart et al., 1995:176-7). The impact of this so-called ‘exogenous development model’ - that aims at transplanting development into particular regions from outside, that is externally determined and that tends to trample on local values (Slee, 1994:184) - on the rural economy was not always successful. On the one hand, the new firms provided jobs for the rural labour force, generated work for local suppliers, and produced demonstration effects for local firms by exposing them to new technology and management techniques (Armstrong and Taylor, 1993:247). On the other hand, the expected multipliers of the new firms in terms of linkages with local firms, benefits of skill formation, technology transfer and reinvestment of profits in the rural economy did not always occur, resulting in leakage effects to other (usually urban) regions and turning the new firms into ‘cathedrals in the desert’. Moreover, the recession of the 1970s resulted in the closure of many branch plants and a growing sense that inward investments made rural economies highly vulnerable to fluctuations in the global market and distant boardroom decisions (Lowe et al., 1995:90-1; Malecki, 1991:106).
Shift towards an endogenous development model

By the late 1970s/early 1980s, the exogenous development model fell into disrepute as it did not result in sustainable economic development of rural regions. Moreover, in a period of economic crisis and high unemployment levels, mobile investment projects tend to be scarce and competition for public funds and transfer payments for regional development high. Furthermore - driven by the globalization of the economy - new countries entered into the competition for mobile investments (Armstrong and Taylor, 1993:201; Vanhove, 1999:327). At about the same time, the successful economic performance in areas like Tuscany and Emilia Romagna with a concentration of highly specialized small and medium sized enterprises (SMEs) became a focus of interest, since these areas were largely unaffected by the industrial crisis of the 1970s. Through their flexibility in terms of quantity and quality of supply, SMEs were more suitable in dealing with dynamic and unstable markets than large firms exploiting economies of scale through mass production (Capello, 1996:486-8). As a consequence of these experiences, the emphasis in regional policy shifted towards the encouragement of local enterprises, local capacity building, local initiatives, community development, economic diversification and provision of suitable training. This approach relies on the so-called endogenous development model that assumes that local development is produced mainly by local impulses and grounded largely on local resources (Picchi, 1994:195; see Section 3.3). In contrast to the exogenous model, the benefits of development tend to be retained in the local economy and local values are respected (Slee, 1994:184). The endogenous approach is closely related to the industrial district model, in which the institutional context of the economic activities plays an important role. Prerequisites for the success of the endogenous model mainly pertain to intensive interaction, information exchange and cooperation between local actors. In addition to this regional policy focus on the local development potential, measures to improve the infrastructure were implemented.

Globalization, innovation and network firms

In the course of the 1980s and 1990s, regional policy also focused on the adoption of innovation by local firms, largely due to rapid changes in the communication and information technologies which fuelled the global restructuring process. Simultaneously, the opening of the European markets in the scope of the single European market encouraged competition among regions for investments, technology and markets (Keating, 1999). This changing global context necessitated that regional policy had to take account of new conditions related to the organization of the firm. After the large, vertically integrated firm of the 1960s/1970s and the small autonomous, single-phase firm of the 1970s/1980s, the ‘network firm’ was introduced as the most efficient organization form (Capello, 1996:489-96). The network firm is either a new type of a large firm, with highly centralized strategic functions extending in several directions, or a new type of small enterprise integrated in a multi-company local network. The production of network firms is quasi-vertically integrated: a form that is in between the two opposites of ‘make or buy’ from Williamson’s transaction costs theory, and that can be described as ‘make together’. Their economic efficiency is based on ‘network externalities’, i.e. those advantages related to being partners in the network and which exclusively belong (as club goods) to the partners. These externalities originate from the fact that marginal benefits exceed marginal costs: each new partner in the network generates more advantages than costs to the existing partners. Innovation, the driving
force behind development in the network firm, may originate from internal (local) or external (global) factors, and is transmitted through networks.

The preceding discussion briefly summarized main trends in general development policy measures directed at the improvement of the socio-economic situation in rural regions. These trends reveal a rather close interaction with changes in the global context and the organization of firms.

EU structural policy
We now move from the more general measures implemented by EU countries towards measures of the EU to encourage economic and social cohesion among regions. The European Regional Development Fund (ERDF) was established in 1975 to co-finance measures aimed at the development and structural adjustment of underdeveloped regions and the conversion of declining industrial regions. The latter regions suffered, for example, from a restructuring in the steel, shipbuilding and textile industries. The ERDF operated along a number of strategic guidelines (Vanhove, 1999: 443-5; 483-7):
- identification of priority regions;
- concentration of ERDF assistance;
- regional development programmes to orientate the ERDF interventions;
and from the 1980s also via:
- programme financing;
- emphasis on harnessing local resources and the internally generated developmental potential, by providing SMEs with facilities to export their activities, to obtain access to new technology, and to facilitate their access to the capital market;
- integrated development operations which comprise measures from the various EU Structural Funds, such as the Integrated Mediterranean Programmes;
- additionality, i.e. ERDF assistance has to be supplemented by national funds.

The financial means of the ERDF covered about 4% of the EU budget in the late 1970s, increasing to about 7% in 1988 (EC, 1997c:344).

Reform of the Structural Funds
The signing of the Single European Act (1987) on the establishment of the internal market, which emphasized the strengthening of the economic and social cohesion of the EU regions, and also specified that all Community’s policy should include a component of environmental protection (article 130R), heralded a new approach in EU rural development policy. In its paper ‘The future of rural society’, the Commission emphasized the integration and coordination of all policy measures which affect rural areas (CEC, 1988). The subsequent reform of the Structural Funds (ERDF, European Social Fund (ESF) and the Guidance Section of the European Agriculture Guidance and Guarantee Fund (EAGGF)) in 1988 intended an integrated approach to coordinate various measures of the Funds, which were directed at five priority objectives; a doubling of the annual spending of the Structural Funds from 7 billion ECU in 1989 to 14 billion ECU in 1993; and new procedures for assistance. This reform already demonstrates the shift from a sectoral to a territorial policy and the shift in governance (see Sections 2.4.4-5). The five priority objectives, which partly overlap with those of the ERDF before the reform, are as follows:
- Objective 1: Development and structural adjustment of regions whose development is lagging behind. These regions were defined as those in which GDP/capita was less than 75% of the Community average in the previous three years. They cover the whole of Ireland, Greece and Portugal and large parts of Spain and southern Italy.
- Objective 2: Regions that are suffering from industrial decline.
- Objective 3: Combating long term unemployment.
- Objective 4: Integration of young people in the labour market.
- Objective 5a: Speeding up the adjustment of agricultural structures, with a view in particular to the reform of the CAP.
- Objective 5b: Promoting the development of rural areas. These areas were defined according to criteria like a high share of agricultural employment, a low level of agricultural income and a low GDP/capita.

In the objective 1 and 5b regions, agricultural structural policies were integrated with measures from the ESF and ERDF. Objective 5a is a horizontal measure, applying to the whole Community, and concerns the agricultural structural policy measures existing before the reform of the Structural Funds. The procedures for assistance share the following features (CEC, 1990:12):
- Programming: national authorities prepare development plans in cooperation with regional and local authorities for a period of several years, which are negotiated with the Commission. These negotiations lead to the Community Support Framework (CSF), which sets out the priorities, funding and forms of assistance. Then the operational stage follows, in which projects can be carried out.
- Additionality: assistance of the Structural Funds is additional to national funds. This principle already existed before the reform.
- Partnership and subsidiarity: there is a close collaboration between the Commission and all relevant authorities at national, regional and local level, at all stages of the programming. Subsidiarity reflects the principle that the funds are managed at the most appropriate level (regional, national or EU).

However, for assistance for the horizontal agricultural structural policy measures of objective 5a only the principle of additionality applies.

The assistance of the Structural Funds covered fields like investments in the creation or maintenance of jobs, investments in infrastructure, investments in health and education, support for SMEs, investments in R&D, environmental protection, integration of unemployed and young people in the labour market, promotion of equal opportunities in the labour market, strengthening of education and training systems and agricultural structural measures (see Section 2.4.3) (Vanhove, 1999:499).

The reform of the Structural Funds also enabled the launching of so-called Community Initiatives. One of these was LEADER I (1991-1994), coordinated by Directorate General (DG) VI (Agriculture), and financed by the three Structural Funds. LEADER I supported joint development initiatives launched by local communities in objective 1 and 5b regions, involving 217 local action groups. The types of support provided - apart from agricultural measures - assistance for SMEs and craft enterprises, development and marketing of local products, rural tourism, training for the non-agricultural population, environmental protection, enhancing the quality of life etc. As a pilot project, LEADER I
aimed to promote a new approach to rural development from the bottom up, to differentiate interventions according to local needs and to encourage the exchange of experience and know-how among local action groups at the European level.

**Programming period 1994-1999**

In 1993 a new programming period for the Structural Funds for the years 1994-1999 was agreed, largely according to the lines initiated by the reform of the Structural Funds. The main differences with the previous programming period (1989-1993) are an expansion of the objective 1 and 5b regions, the introduction of objective 6 for sparsely populated regions, the extension of partnerships to economic and social partners and bodies which are identified by member states, and an increase in the financial means, from 20 billion ECU in 1994 to over 27 billion ECU in 1999. LEADER I was followed by LEADER II (1994-1999). In addition, the Cohesion Fund was established, which aimed to finance transport and environmental infrastructure in member states whose GDP/capita was less than 90% of the EU average (Greece, Ireland, Spain and Portugal).

**Agenda 2000**

Agenda 2000, the reference framework for the Union’s policies in the period from 2000 to 2006, aims for greater concentration of support from the Structural Funds in the programming period 2000-2006 for regions which need assistance the most. The priority objectives are reduced to the following three (EC, 2000):

- objective 1 will promote structural development and adjustment in regions lagging in development;
- objective 2 will support economic and social adjustment in areas with structural difficulties, covering no more than 18% of the EU population;
- objective 3 will assist the adjustment and modernization of policies and systems of education, training and employment, applying across the EU except for objective 1 regions.

The financial means for the Structural Funds will be maintained at the same level as in the programming period 1994-1999. LEADER II was succeeded by LEADER+ (2000-2006). New features of LEADER+ are that it can be applied across the EU and that it is funded from the Guidance Section.

**2.4.3 Agricultural structural policy**

From the discussion of the general development measures, we now turn to the second strand of rural development policy: measures aimed at the enhancement of the agricultural sector. In the first decades after World War II, agricultural structural policies mainly focused on the issue of structural adjustment of the relatively large agricultural sector. It aimed at productivity growth of both labour and capital, largely to be achieved in a process in which small firms disappear and larger, viable farms are created, accompanied by a reduction of the agricultural labour force. A common measure implemented by several EU countries involved land consolidation schemes in order to face the problem of fragmentation of plots per farm holding. Other, less common measures consisted of compensation for farmers who gave up their farms, water management, reallocation of farmland and retraining facilities. Rather than embark on a
litany of specific national agricultural structural policy measures carried out in EU member states, we focus below on the agricultural structural policy of the EU. This is because the common agricultural market entailed that respective national agricultural structural policies largely follow the prescriptions of EU policy.

Start of EU agricultural structural policy
It was not until 1972 - after long discussions about the Mansholt plan - that an EU agricultural structural policy was launched. It consisted of three directives:
- directive 72/159 on farm modernization provided aid for investments on farms considered ‘suitable for development’ and able to generate an income comparable with other occupations for ‘one or two’ labour units;
- directive 72/160 on farmer retirement offered payments to outgoers in the form of annuities or lump sums to elderly farmers, or premiums to younger ones;
- directive 72/161 on socio-economic guidance and training intended to restructure the extension system and to give training and education to the agricultural labour force, both for those who wanted to stay in the agricultural sector and for those who wanted to leave.

The uptake of these directives was rather disappointing. The number of outgoers was small, as the directives were put into effect during the economic recession from 1973 onward. The directive on farm modernization excluded the majority of small farms, whereas modernization on larger farms often resulted in intensification of production on the existing area as few farmers could benefit from land expansion. Directive 72/161 was also rather ineffective as it failed to restructure the extension system and suffered from competition from other national and EU programmes. On the other hand, regulation 355/77 on processing and marketing of agricultural, forestry and fishery products - launched in 1977 - was more successful, particularly in encouraging the setting up of farmers’ processing and marketing cooperatives.

LFA Directive
In addition to the horizontal measures discussed above - which apply to the whole Community - a number of regional measures were launched in favour of specific regions from 1975 onward. The most important one is the Less Favoured Areas (LFA) Directive (75/268), which aimed at the continuation of farming in LFAs and thereby maintaining a minimum level of population or conserving the countryside. LFAs are areas where agriculture is hampered by permanent natural handicaps like altitude, slopes, infertile land, or by unfavourable farm results. Since 1975, the areas classified as LFAs have increased from one-third of the Community area to about 55% in 1997. Member states are allowed to give farmers in LFAs direct income support in order to raise farm income. This income support, which is financed by the member states and partly reimbursed by the EU, consists of compensatory allowances per animal or per hectare. In 1997, about 1.2 million farmers (16% of EU farmers) benefited from the LFA directive. Other major regional measures were specific programmes to accelerate agricultural development in the Mediterranean regions from 1978 onwards and a number of ‘integrated programmes’ which included sectors other than agriculture from the beginning of the 1980s.

Gradual shift towards multifunctional agriculture
The development of EU agricultural structural policy is closely related to developments
in the market and price policy of the CAP. Both are financed from the EAGGF, in which the Guarantee Section is devoted to market and price policy and the Guidance Section to agricultural structural policy. Under increasing pressure from structural food surpluses, growing tensions in international trade relations, rising budgetary burdens of the CAP, and public concerns on the environment, the Commission published the so-called Green Paper on a reorientation of the CAP in 1985. Combined with the small uptake of the 1972 directives, this Green Paper resulted in the replacement of these directives by regulation 797/85 on improving the efficiency of agricultural structures. Under this regulation, investment aids could be provided to almost any low-income farmer. Other measures of this regulation refer to special aid for young farmers, support for conversion and extensification of production methods as well as set-aside, protection of the environment and landscape, and encouragement of forestry on agricultural holdings. The LFA directive was also included in this regulation. The regulation hoped to contribute to an improved balance of supply and demand for agricultural products by reducing agricultural production, the protection of the environment, and the encouragement of agricultural development in lagging regions. This regulation can be seen as an important first sign of the shift of the common agricultural structural policy away from productivism.

In 1991 the Commission published again a major reflection paper, entitled ‘The development and future of the CAP’, which resulted in the Mac Sharry reform of the CAP (1992). This reform partly decoupled support for farm income from production and emphasized the role of the environment and nature through two of its three so-called accompanying measures:
- agri-environmental measures, including long-term set-aside (regulation 2078/92);
- afforestation on farms (regulation 2080/92).
The third accompanying measure concerns early retirement for farmers (regulation 2079/92). Although these accompanying measures concern agricultural structural policy, they are not - unlike all other agricultural structural measures - financed by the Guidance Section of the EAGGF, but by its Guarantee Section.

Cork Conference and the Rural Development Regulation
By about the mid-1990s, discussions started about the next reform of the CAP under pressure of the future enlargement of the EU to include Central European countries, WTO trade negotiations and consumer-led quality requirements. In these discussions, it seemed whether agricultural structural policy would be extended to other sectors in the rural economy, and thereby becoming a rural development policy. For example, in the Agricultural Strategy Paper, agricultural Commissioner Fischler proposed an integrated rural policy, in which policies directed at rural areas form together a mutually consistent body of measures which allow the mobilization of a maximum of synergies (EC, 1995:23). Such a policy should seek a sustainable balance between agricultural activity, other forms of rural development and the conservation of natural resources, and emphasizes the multifunctional role of farmers: producers of food, feed and non-food, and stewards of the countryside. During the Cork Conference in November 1996 - organized by the European Commission - the concept of integrated rural development was extensively discussed. This conference was concluded by the Cork Declaration (Plumb, 1996), which proposed that rural development policy has to be multi-
disciplinary and multi-sectoral with a clear territorial dimension. It should be based on an integrated approach to agricultural adjustment and development, economic diversification, management of natural resources, enhancement of environmental functions and the promotion of culture, tourism and recreation. However, this declaration was not approved by the EU Council of Ministers. Hence in Agenda 2000, these ideas about integrated rural development are heavily watered down. In Agenda 2000, a ‘new’ policy for rural development is announced as the ‘second pillar’ of the CAP, which anchors it firmly in the agricultural domain. The objectives of this new rural policy are to contribute to the multifunctionality of agriculture, the improvement of the competitiveness of rural areas and the safeguarding of the maintenance and creation of employment. Rural development measures are laid down in the Rural Development Regulation (1257/99) and cover the existing agricultural structural policy measures, the accompanying measures of the Mac Sharry reform, and a series of measures aimed at promoting integrated rural development (the so-called article 33 measures). Only these last mentioned measures focus on activities outside the agricultural sector. Some provisional calculations on the budgetary outlay for the article 33 measures, as proposed in several draft Rural Development Plans by member states, indicate that less than 10% of the financial means is allocated to these measures (Bryden, 2000:10).

The fact that the Rural Development Regulation mainly covers agricultural measures and hardly any measures directed at the other sectors in the rural economy may be attributed to two issues. First, an extension from agricultural measures to measures covering the whole rural economy implies an extension of the competence of Directorate General (DG) of Agriculture (DG VI) at the expense of DG Regio (DG XVI). The Commissioner of DG Regio has successfully blocked such an extension. Second, the farmers’ lobby was heavily opposed to spending money from the EAGGF, which they consider as ‘money for farmers’, on other groups in the rural economy.

Some final remarks on EU agricultural structural policy
Given the overview of EU agricultural structural policy above, some final remarks are in order. First, EU expenditure on these measures are moderate compared to its expenditure on market and price policy. Until the beginning of the 1990s, only about 5% of the CAP budget was spent on agricultural structural policy. This share gradually increased to about 10% at the end of the 1990s. Second, the expenditure of the EU consists of co-financing, which implies that member states also have to contribute to the financing of the policy. So the total expenditure on the common agricultural structural policy is higher than that reflected in the CAP budget. Finally, national agricultural structural policy measures continued alongside the EU measures. By the end of the 1990s, three main strategies dominated the implementation of agricultural structural policies in the EU countries, depending on the comparative advantages of the agricultural sector (OECD, 1999:19):

1. attempts to restructure agriculture through intensification, modernization and increasing value added in the productive regions;
2. extensification of agricultural production with increasing interest being shown in landscape and nature conservation in less productive regions;
3. maintenance of agricultural activities by promoting local agro-food, niche products and quality labels in areas of ‘traditional’ agriculture.
These three current strategies form a useful illustration of the shift in agricultural structural policy discussed in this subsection: policy has moved away from enhancing only productivity growth towards stimulating multifunctional agriculture, in which farmers are seen as producers of food and landscape.

2.4.4 Shift from sectoral to territorial policy

The third emerging shift in rural development policy refers to a shift from sectoral policy to territorial policy. Territorial policy can be expressed in terms of an integration of policy measures (often referred to as ‘integrated rural development policy’) directed at a specific territorial entity. Ideally it includes all sectors of the economy (agriculture, industry, services); it tends to be based on the local potential and on partnerships between private organizations and government institutions at all policy levels; and it is tailored to the specific needs and requirements of a region (Urf, 1996:4; Day, 1998:99). On the one hand, this shift is related to the move of the economic base in rural regions away from agriculture (Pezzini, 2000:5). On the other hand, the shift arises from the attempts to integrate the various sectoral policies into a development plan, covering all sectors. Such a multi-sectoral approach is strived for in the programming of the EU Structural Funds, such as the Community Support Frameworks and to a lesser extent the Rural Development Plans. In addition, the adoption of sustainable development, in economic, social, environmental and cultural terms, as an overarching policy goal, enhances the need for such an integrated approach. Although the extent to which the shift towards a territorial approach has taken place should not be exaggerated, it represents a common understanding of a general trend (OECD, 1999:3).

2.4.5 Shift in governance framework

The gradual shift in the approach of rural development policy from an exogenous development model towards an endogenous development model has several implications for modes and institutions of government, as shown in the discussion in the previous subsections. In the exogenous model, the national government formulates, implements and co-ordinates rural development policy, which can be labelled as a ‘top-down approach’. The emphasis on local development potential, programming, partnership and subsidiarity in the endogenous model implies that local actors are given an active role in the planning and implementing of rural development policy. When this role evolves to such an extent that local actors become empowered to define their own needs and prioritize development schemes and projects, the term ‘bottom-up approach’ becomes appropriate.

The changing role of the national government in rural regions has attracted a lot of attention. In the debate, two main conceptual frameworks have been put forward: real regulation and governance. Real regulation concerns the administrative manner, style and logic by which the state regulates society in general, and the economic landscape in particular (Clark, 1992:616). The mode of state regulation consists of a set of institutions, collective norms, values, rules, laws, habits and customs, that varies over time in an
interactive process with changing economic and social practices (Marden, 1992:752). So the changes in the rural economy, induced by globalization and rapid technological progress, and in the social composition of rural population, which challenge the established way of doing things, suggest that a new role for the state/national government is needed compared with its role under the exogenous development model. More recently, the closely related concept of governance has been introduced. This refers to the development of government styles in which the boundaries between and within public and private sectors have become blurred. It focuses on the ways in which governmental and non-governmental organizations work together and on the ways in which political power is distributed, both internal and external to the state (Goodwin, 1998:5-6). The shifting governmental structures may coalesce with the shifting social and economic forces in rural regions to delineate a new topography of political relations (Marsden and Murdoch, 1998:1). The concept of governance offers a useful perspective for analyzing which agencies and institutions are involved in the governance mechanisms and whose interests they serve (Goodwin, 1998:10).

With respect to rural governance, key elements in the shift from a top-down to bottom-up approach refer among others to (Pezzini, 2000:15):
- Efforts to create new institutional arrangements at local and regional levels to define and implement policy. Usually partnerships between public, private and voluntary sectors are used to further this aim. The programming approach of the EU Structural Funds is a clear example.
- Efforts to build local capacities through community development programmes and empowerment of local actors. The support for the bottom-up initiative of LEADER is an example of such efforts.
- Attempts to create more flexible arrangements of central support for rural development such that the diverse needs and circumstances of rural regions can be better met. Examples of such ‘tailor-made policies’ are the identification of different types of objective regions in the approach of the EU Structural Funds and the ‘menu approach’ in the EU Rural Development Regulation (1257/99), which allows member states and regions to pick and choose measures appropriate to their circumstances.
- Efforts at national level to improve the coordination of a wide range of policies affecting rural regions through institutional arrangements for interdepartmental and interministerial working groups and tuning.

Although the items above reflect some new ways of formulating and implementing rural policy, in which the role of local agencies has been redefined, it may be clear that national governments still have a main initiating role in the governance mechanism.

2.4.6 Dissident views

From the preceding discussion, one might get the impression that rural development policy is subject to four main shifts. However, several doubts have been raised on the reality and desirability of the shift towards an endogenous approach and that towards an increasing role for local actors in the decision making process. In this subsection we will reflect on some of these doubts.
Slee (1994:193-4) rejects the existence of an endogenous development model: although development agencies have recognized that long-run development gains are more likely to be secured by encouraging local entrepreneurship than by inducing footloose branch plants, they use the same packages of infrastructure development, grant aid, loan finance, and support services as in the exogenous development model. In his view, the shift from a branch-plant strategy towards support for local entrepreneurs does not alter the fundamental nature of the development process: external forces remain the principal determinants whereas endogenous forces may colour the nature of the process. Vanhove (1999:330) argues that an endogenous development strategy does not have to be perceived in terms of a substitute but rather as a complementary strategy to the exogenous development strategy. Efforts to attract projects from other regions and continents cannot be neglected and therefore, much attention should be given to region-marketing and inward investment. Finally, Armstrong and Taylor (1993:272) warn that many new local firms offer local consumer services such as hairdressing and car repair and contribute little to new rounds of wealth creation. Moreover, many small local firms show little desire or ability to expand further.

Due to the EU approach of the Structural Funds assistance, the notions of local participation and local empowerment are now widely known across EU regions. However, various analyses of LEADER groups and objective 1/5b programmes show that the emphasis on a bottom-up approach in rural development is more ‘rhetoric than real’ (Day, 1998; Ward and McNicolas, 1998; Storey, 1999; Clark et al., 2000). Local groups are allowed to solve their own problems in their own way provided that they follow national and/or EU financial, administrative, monitoring and evaluation procedures and criteria. These bureaucratic requirements imply that the control of the money and how it is used is largely retained at the national level. However, this unchanged power balance is camouflaged behind a rhetoric of participation, empowerment and subsidiarity. So it may be more valid to view current developments in terms of a process of incorporating local activism in a top-down strategy than a move to a bottom-up approach. Another concern about the bottom-up approach is the democratic representation in the local community and partnerships. Given the heterogeneous social composition of the population in rural regions, it is likely that different groups of actors have different development objectives, and moreover, that in particular the marginalized and poor actors do not have the capacity to involve themselves in the development process. There is a danger of ‘devolved patronage’ when local development ends up in the hands of a small group of able people who have the skills and experience to carry out local initiatives with little or no reference to the members of the community they purport to represent (Mannion, 1996:8-9). Analysis of the representation in LEADER groups in Ireland shows that this danger is real: the groups tend to be skewed towards business sectors whereas community interests are less represented (Storey, 1999:312-3).

2.5 Concluding remarks

This chapter shows that it is a highly complicated exercise to identify main issues and trends in rural regions, as rural developments are affected by a wide range of actors and factors. Our main findings are presented below.
The meanings of rurality vary. The classification of different meanings according to the spatial, territorial and constructivist approaches appears to be useful, as it enables us to identify the user’s intention of rurality. We use the territorial approach to rurality in this study, in which rural is perceived in terms of a territorial entity, which covers a regional or a local economy, one or more centres surrounded by open space and a low population density. We have labelled these entities as rural regions, which in our study usually reflect the size of a labour market area. The OECD also uses this approach to rurality. On the other hand, the European Commission uses, apart from the territorial approach, the spatial approach to rurality as well, in which the Commission relates rurality to agriculture. This results in some tension in the objectives of the rural policy of the EU: should it be aimed at the agricultural sector or at all sectors in the rural economy? In the third approach of rurality - the constructivist approach - space appears as a social representation: a mental construct, which guides us in dealing with the complexity of the social world. In this approach, rurality is often related to rural amenities and lifestyle values. A wide range of actors is involved in the construction of representations of rurality: they can, for instance, be permanent or temporary users of space, policy makers and academics. Conflicts of interest about alternative uses of rural space indicate that social representations are related to the issue of power. With regard to these conflicts, the conceptualization of a rural region as an arena society, in which the various groups of actors are attempting to achieve outcomes commensurate with their aims, seems to be useful.

In the recent literature some doubts have been raised about the image of rural regions as being losers of jobs and population. Our comparative analysis of main social-economic changes in rural regions since the beginning of the 1980s largely supports that view. The picture of rural regions that arises looks rather like a mosaic of winners, in-betweens and losers. The winning regions experienced, for example, both employment and population growth. This mosaic of rural regions has been associated with the view of rural restructuring, in which rural development arises from the interplay of global forces and local responses, although this process is coloured by national conditions. The rural restructuring process is rather complex and varies among regions, in which some rural regions become ‘leading’ and others ‘lagging’ regions.

In order to reduce socio-economic disparities among regions, policy makers have implemented rural development policy, mainly consisting of measures aimed at the adjustment of the agricultural sector and measures aimed at the more general development of the rural economy. Since the 1950s, the emphasis in these policies has shifted under pressure of global restructuring: with regard to the agricultural measures, there has been a gradual shift from measures directed at productivity growth towards measures emphasizing the multifunctional role of the agricultural sector; whereas measures aimed at the more general development of rural economies have undergone a shift from encouraging inward investments towards enhancing the local development potential. These shifts have also often been referred to as a shift from productivism to postproductivism and a shift from the exogenous to the endogenous development model. There is a tendency to integrate both types of policy measures into territorial plans, which cover all sectors. For efficiency reasons such an integrated territorial policy can be welcomed; however, in practice it is often difficult to realize as many conflicts of interest
may arise. For example, the new EU rural policy announced in Agenda 2000 remains in essence a sectoral (agricultural) policy, mainly due to pressure of the farmers’ lobby and DG Regio. The shift from an exogenous to an endogenous development model has been accompanied by a transformation of the role of national governments into a governance style in which the local and regional authorities have a greater role in defining and implementing policy, where the empowerment of local actors is emphasized, and in which partnerships between public, private and voluntary sectors are widely used. This shift can be described as a shift from a top-down to a bottom-up approach.

The extent of the shift from an exogenous to an endogenous development model should not to be exaggerated. In the current global restructuring process, rural regions are affected by all kind of global forces. This implies that the development process in rural regions is largely dependent on the interplay of local (endogenous) responses and global (exogenous) forces - both mediated through national structures - in which local actors should seek room for manoeuvre so as to determine the outcome of the process. The consequence of this finding for the analysis in the following chapters - in which we examine the theories which can be used to explain economic development in rural regions in the EU - is that theories, which include factors related to this global/local interplay and the power relations among local actors within the rural region (i.e. arena society), seem to be most promising.

NOTES

1 Although the European Union (EU) came into being in 1993, and was preceded by the European Economic Community (EEC) from 1958 and the European Community (EC) from 1967, for convenience sake we use the abbreviation EU.

2 NUTS (Nomenclature des Unités Territoriales Statistiques) is a classification system of administrative regions. The NUTS2 level comprises 206 regions in the EU15 (like provinces in the Netherlands, Regierungsbezirke in Germany and Comunidades Autonomas in Spain) and the NUTS3 level 1031 regions (like COROP regions in the Netherlands, Kreise in Germany and counties in the UK). As the size of the NUTS regions varies considerably among countries, in some EU member states NUTS2 regions reflect the size of a functional labour market area, whereas in other member states it is more appropriate to use NUTS3 regions as an equivalent for a functional labour market area. See Annex 2.2 for an overview of the regional level used according to the member state.

3 The term ‘rural regions’ in this study refers to the whole set of intermediate rural and most rural regions.

4 The high income in intermediate rural regions in the Netherlands is due to the inclusion of gas revenues in the per capita incomes; in the UK high figures in most rural regions are due to the inclusion of oil revenues.

5 In this study sectors are defined as follows (OECD, 1996a:59, 159):
   1 Agricultural sector:
      ISIC 1 (Agriculture, hunting, forestry and fisheries)
   2 Industry sector:
      ISIC 2 (Mining and quarrying)
      ISIC 3 (Manufacturing)
      ISIC 4 (Electricity, gas and water)
      ISIC 5 (Construction)
   3 Services sector:
      ISIC 6 (Whole and retail, restaurants and hotels)
      ISIC 7 (Transport, storage and communication)
      ISIC 8 (Financing, real estate and business services)
ISIC 9 (Community, social and personal services)
ISIC 10 (Activities not adequately defined)
ISIC (International Standard Industrial Classification) codes are used to classify major groups of economic activities and were adopted in 1968 by the United Nations Organization.