



The importance of place-based, internal resources for the population development in small rural communities

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ABSTRACT

The purpose of this paper is to examine whether place-based, internal resources are related to population growth in small rural communities. Presumably due to data unavailability, very few previous studies have tried to model population growth at the sub-municipality level so far. This paper attempts to fill some of this gap by using a unique parish sample ($n = 489$) to model population growth in rural parishes in Denmark during the period 2012–2017. The paper employs a capital framework approach and initially identifies six place-based stocks of capital that might be important to the population development in small rural communities. Moreover, the paper makes a distinction between rural parishes located in predominantly rural municipalities and rural parishes located in predominantly urban municipalities. Based on multiple regression analyses, initial levels of physical capital, economic capital and human capital were found to be related to population growth in rural parishes located in predominantly rural municipalities, whereas only symbolic capital (place reputation) was found to be related to population growth in rural parishes located in predominantly urban municipalities.

1. Introduction

In recent decades, a growing number of papers have sought to identify the determinants behind uneven economic rural development in advanced countries. One strand in this literature investigates the question of whether differential economic development in rural areas is driven by internal factors or external factors – or a combination. Inspired in terminology by neo-classical endogenous and exogenous growth theory, the question in this strand is whether rural economic development is characterised by endogenous development and/or exogenous development (Terluin, 2003).

By mid-2000s, researchers in this strand of literature concluded that not only external factors, but also internal factors are important in explaining differential economic development in rural areas in advanced countries. This was found by Bryden and Munro (2000) by investigating one specific enterprise in a Scottish rural area that was regarded as performing economically well. It was also found by Terluin and Post (2000) and Terluin (2003) by comparing ‘leading’ and ‘lagging’ rural regions in nine EU member states and by Ceccato and Persson (2003) by comparing four ‘well performing’ and ‘less well performing’ rural municipalities in Sweden.

The finding that internal factors are important for economic rural development called for a rural policy approach with more emphasis on the specific internal resources and strengths of rural areas. Accordingly,

as a partial consequence of the above research, the Organisation for Economic Co-operation and Development (OECD) drafted a policy document in 2006 entitled *The New Rural Paradigm: Policies and Governance* (Organisation for Economic Co-operation and Development, 2006). This document recommended a change of discourse from a top-down rural policy with a focus on structural and industry-related conditions to a rural policy with a focus on the valorisation of place-based resources and a bottom-up approach whereby progress had to be secured through the inputs from local actors. The latter discourse was henceforth called ‘the new rural paradigm’.

Since 2006, the new rural paradigm has been introduced in many support schemes of the European Union, e.g. in support schemes within the EU Rural Development Programme aimed at the diversification of the rural economy and quality of life issues. At the national level, these schemes are administered by the so-called Local Action Groups (LAGs) with representatives from the municipality, the local business community, local civic associations and local citizens, and their aim is to support projects that strengthen the local place-based resources in rural areas. As such, these support schemes thus target place-based, internal resources in a rural area and do not aim at external factors over which the rural area itself has no control.

The underlying contention in the new rural paradigm is that the development in a rural area, e.g. its population development, is affected by its internal resources. This, however, raises some critical questions

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which this paper attempts to shed light on by focussing on small rural communities and their population development: How important are place-based, internal resources for the population development in small rural communities? And is there any difference as to how important internal resources are depending on whether the rural community is located within a wider area that is primarily urban or rural?

To answer these questions, the paper uses Danish data at the parish level and a capital framework to model internal resources. The paper attempts to analyse how much the population growth during a five-year period in a sample of Danish rural parishes is related to internal resources as measured by initial stocks of nature capital, physical capital, economic capital, human capital, social capital and symbolic capital. The paper relies on data from Statistics Denmark and data from a national survey called Danish Rural-Urban Survey (DRUS), which was carried out in the end of 2011.

The paper is positioned in the strand of literature that explores the determinants behind differential economic performance of rural areas in advanced countries, including Europe (Terluin and Post, 2000), Sweden (Ceccato and Persson, 2003), Denmark (Svendsen and Sørensen, 2007), England (Courtney and Moseley, 2008; Agarwal et al., 2009), the US (Isserman et al., 2009), and Spain (Sánchez-Zamora et al., 2014). Given that the main problem of many rural communities in Denmark and in other developed Western countries is depopulation, as argued by Svendsen and Sørensen (2007), population growth can be viewed as an appropriate measure or proxy of economic performance at the rural community level. Subsequently, therefore, the paper uses the term population development instead of the term population growth at various places to indicate that the outcome measure is a proxy of economic performance.

The paper contributes in several ways to the literature. First, there is an evident lack of micro-level evidence in previous papers. In most previous studies, data is collected at the regional or municipal level, and only very few studies have looked at the community level (Svendsen and Sørensen, 2007). Second, the paper uses a quantitative method and a relatively large dataset, and this has not been done before in community-level studies, presumably due to lack of data availability. Third, unlike other quantitative studies in this field, this paper partly relies on data from a questionnaire survey which allows for the measurement of more intangible forms of capital. Fourth, the paper includes an intangible form of capital that has not been looked at in previous studies: symbolic capital (Bourdieu, 1986, 1987). Finally, differentiating between rural areas located in generally urban surroundings and rural areas located in generally rural surroundings has not received much attention so far.

The rest of the paper is organised as follows. The second section reviews the literature related to the uneven economic performance of rural areas with an emphasis on the contribution of nature capital, physical capital, economic capital, human capital, social capital and symbolic capital. The third section describes the data and the methods used. The fourth section presents the results. The final section concludes on and discusses the results.

2. Conceptual framework and previous research

As mentioned, this paper attempts to examine whether the following stocks of capital has a measurable impact on the population development in small rural communities: nature capital, physical capital, economic capital, human capital, social capital, and symbolic capital. Most of these forms of capital have been addressed in previous studies on the differential economic performance of rural areas in advanced countries, either explicitly (e.g. Svendsen and Sørensen, 2007; Courtney and Moseley, 2008; Agarwal et al., 2009; Sánchez-Zamora et al., 2014) or implicitly (e.g. Terluin and Post, 2000; Ceccato and Persson, 2003).

The term ‘capital’ originates from classical economics where ‘capitals’ are perceived as inputs to the production apparatus. The firstly

coined forms of capital were economic capital (money) and physical capital (production sites), which were discussed in terms of their ability to generate a return for single companies and entire nations (Smith, 1904 [1776]). Later, the attention was directed to other forms of capital; first human capital (e.g. Becker, 1962; Sjaastad, 1962) and then social capital (Bourdieu, 1986; Knack and Keefer, 1997; Putnam, 1993). Social capital relates to the profits at the individual and the macro level that can be achieved through networking, co-operation and the resulting formation of trust (Coleman, 1990; Hanifan, 1916). Symbolic capital relates to the profits that can be achieved by having a certain prestige, honour or attention in society, e.g. a person holding a high public office (Bourdieu, 1986, 1987). In classical economic thought, nature capital is related to nature resources that can be exploited in production (e.g. Acemoglu et al., 2005).

Common to all forms of capital is the notion that they hold an inherent value that can be *capitalised*, i.e. that can be used to generate economic returns (Lin, 2001). For example, people can capitalise their human capital by getting a wage in a job they got because of their education. Empirically, the forms of capital have especially been studied at the macro level with the question of whether they have had a significant impact on country or regional GDP, e.g. by Knack and Keefer (1997) and Weckroth et al. (2015) with regards to social capital.

Inspired by Svendsen and Sørensen (2007), this paper seeks to relate various forms of capital to the population development in small rural communities in Denmark. Considering the substantial depopulation challenges in small rural communities in Denmark and elsewhere in many other Western countries (Eurostat, 2012; UN, 2014), population growth can be viewed as the most appropriate measure of economic performance at the rural community level.

2.1. Forms of capital

The inclusion of forms of capital in this paper was guided by previous research into the differential economic development of rural areas in advanced countries. For a detailed overview, Table 1 presents the methodology and the findings of previous empirical studies.

It was an obvious choice to include *nature capital* and *social capital* in the analysis. These two factors have been discussed in previous studies on differential economic development of rural areas (e.g. Terluin and Post, 2000; Svendsen and Sørensen, 2007; Courtney and Moseley, 2008; Isserman et al., 2009). They have also been suggested as important competitive forces for rural areas in other connections. In the foreword of the OECD policy document *The New Rural Paradigm: Policies and Governance* (Organisation for Economic Co-operation and Development, 2006), for example, nature and social capital are referred to as being among the few key assets of rural areas. Thus, faced with difficulties of obtaining ‘a critical mass needed for effective public services, infrastructure and business development’, rural areas are encouraged to focus on ‘their existing assets, such as location, natural and cultural amenities, and social capital’ (Organisation for Economic Co-operation and Development, 2006, p. 3). Further (León (2005), pp. 308–309), points to nature and social capital as being the two ‘trump cards’ of rural areas, and in a recent opinion poll Danish people have indicated that they see nature and social cohesion as being among the most important qualities of Danish rural areas (Realdania, 2012). Interestingly, the first scientific journal to use the term social capital was about rural community development: ‘If he may come into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community will benefit by the cooperation of all its parts, while the individual will find in his association the advantages of the help, the sympathy, and the fellowship of his neighbors’ (Hanifan, 1916, pp. 130–131).

In this paper, *physical capital* is understood as those types of buildings that contain public and private services such as public school and

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