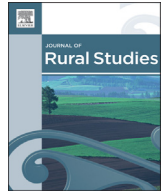




Contents lists available at ScienceDirect

Journal of Rural Studies

journal homepage: www.elsevier.com/locate/jrurstud

Path dependence, resilience and the evolution of new rural economies: Perspectives from rural Western Australia

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A B S T R A C T

Keywords:

Evolutionary economic geography
Path dependence
Resilience
Western Australia

This paper draws on the emerging field of evolutionary economic geography to offer insights into the transformation of rural economies. In particular, it focuses on the concepts of path dependence and resilience, and the ways in which these help to explain change within four case study local areas in rural Western Australia. The paper draws on recent advances in dynamic econometrics to examine the ways in which the major economic shock of the late 1980s and early 1990s restructuring process 'unlocked' these local economies from existing development pathways and reshaped their trajectories. The paper finds that while common trends were evident across the four case study areas, the ways in which they responded and recovered from the shock were quite different reflecting the diverse ways in which multiscale processes play out across rural space economies.

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1. Introduction

One of the ongoing themes within rural studies over the past two decades has been the attempt to understand how localities and regions respond to economic, political and environmental upheaval. Using concepts and methods drawn from perspectives as diverse as Marxian political economy, behavioural studies, neo-classical economics and post-structural theory, rural social scientists have paid close attention to subjects ranging across agricultural adjustment and the farm crisis, local economic restructuring, poverty and disadvantage and environmental degradation. In very simple terms, one of the ongoing themes in this work is to understand both the drivers and implications of change and continuity. Parallel to these interests in rural studies, economic geographers have been addressing a similar meta-narrative about change and continuity, albeit in quite different locational and sectoral contexts. One of the perspectives to emerge out of this engagement with the dynamics of the uneven development is 'evolutionary economic geography' (MacKinnon et al., 2009). This emerging paradigm emphasizes the significance of history and geography in understanding the development of space economies by bringing together a number of evolutionary concepts and metaphors, such as 'selection and adaptation', 'path dependence' and 'hysteresis'. Essentially,

the evolutionary economic geography project is about accounting for the transformations in capitalist economies over multiple temporal and spatial scales.

While much of the work on evolutionary economic geography has been focused on urban systems and industries such as manufacturing and services, it also has considerable potential to contribute to interpretations of rural economic change (Tonts et al., 2012). Yet, to date, rural geographers have tended not to engage directly in debates about the theoretical and methodological efficacy of evolutionary economic geography for understanding the dynamics operating both within and across rural economies. There has, however, been considerable engagement with one of the concepts that is increasingly becoming prominent within evolutionary economic geography – the notion of resilience (e.g. Wilson, 2010, 2012; McManus et al., 2012). For both rural geographers and those engaged more broadly in articulating an evolutionary perspective on the geography of uneven development, resilience has become a popular conceptual lens through which to consider the ability of places to respond to shocks and upheaval (see Adger, 2000). Yet there are some key differences in the way the idea has been applied. In rural geography, the focus has tended to be on individual, social and/or community resilience, with an explicit focus on rural economies being less common (e.g. Franklin et al., 2011; Graugaard, 2012; Skerratt, 2013). This is not to suggest that rural economies have been ignored (e.g. McManus et al., 2012), but that social relations, cultural attributes, and policy considerations have tended to form the bulk of inquiry. Perhaps not surprisingly,

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economic geographers have tended to focus their attention more squarely on local and regional economies and related policy and institutional dynamics (e.g. Rafiqui, 2009; MacKinnon, 2012; Mas and Hassink, 2013).

Against this background, this paper examines the potentials and limitations of evolutionary economic geography in understanding rural economic transformations, including the emergence of 'new rural economies'. More specifically, the paper considers a number of core concepts embedded within evolutionary economic geography, including path dependence, hysteresis and resilience, and the ways in which these help to explain continuity and change in four selected local case study areas from rural Western Australia. The paper explores these concepts by examining three standard measures of economic performance: the unemployment rate; employment growth; and wage rates. An important contribution here is the application of recent advances in dynamic econometrics that have rarely been applied in rural geography as a means of both testing some of the conceptual claims in evolutionary economic geography, and also unpacking some of the longer run dynamics and adjustments that have occurred in rural economies. The paper also offers a more qualitative and discursive assessment of the evolution of rural economies, teasing out a number of conceptual issues relevant to the evolutionary economic geography 'project' and broader conceptualisations of rural economic transformation.

2. Towards an evolutionary rural geography

The idea that economic systems are 'evolutionary' is not new. In explaining the development of capitalist systems Marx (1967), for example, placed considerable emphasis on the out-of-equilibrium and dialectical nature of the mechanisms underpinning the dynamics of economic growth and crisis. The economist Veblen (1898) famously posed the question 'why is economics not an evolutionary science', while Joseph Schumpeter (1939) gave careful attention to economic change and transformation in describing the process of 'creative destruction'. In a more spatial context, geographers too have paid due consideration to the nature, causes and consequences of the development of capitalist space economies (e.g. Harvey, 1982; Smith, 1984; Sheppard and Barnes, 1990; Barnes, 1995). One of the common threads underpinning much of this work was that both historical and geographical contingency matter in explaining the structure and performance of local and regional economies. In the field of economics, however, the significance of history tended to be pushed to the background as a result of the dominance of neoclassical general equilibrium theorizing. Typically, neoclassical models of spatial competition postulate globally stable adjustment processes, prioritizing the spatial configuration of the economic landscape over out-of-equilibrium dynamics. Recent research in geographical economics has embraced the possibility of multiple equilibria and the associated issue of selecting amongst locally (un) stable equilibria (Fujita and Mori, 2005; Redding, 2010). In so far as equilibrium selection depends on the adjustment path taken with respect to equilibrium this raises the possibility of a rapprochement between geographical economics and evolutionary economic geography. Nonetheless, the focus on the equilibrium thinking derived from the logic of 'constrained optimization' largely overlooks the question of 'economic emergence' and the role of behavioural routines, norms, and social and political contingency in determining the complexities of economic landscapes that evolve in 'historical' rather than 'logical' time (Foster and Metcalfe, 2012). As part of a critical response to neoclassical theorizing, the emergence of a 'neo-Schumpeterian' economics in the 1980s began (re)emphasizing the importance of history in explaining economic development (Nelson and Winter, 1982; Dopfer, 2005). This work has focused in particular on

technological innovation, the behaviour of boundedly rational firms, and the role of institutions in driving economic change, which increasingly has drawn on a number of key Darwinian concepts, including 'selection', 'variety', and 'self-replication', or continuity (e.g. Essletzbichler and Rigby, 2007). Moreover, considerable attention has been given to the routines and norms that help to explain the behaviour of individuals, firms and institutions in shaping economic systems. One of the most significant ideas to emerge out of this work is the notion of 'path dependence' (Hassink, 2005; MacKinnon, 2012).

Path dependence has typically been used to describe the development of particular technologies and the ways in which their development is the product of their industrial histories (David, 2001). In other words, the emergence and adoption of new technology is often followed by a gradual process of refinement that sees the technology become 'locked in' to a particular development pathway through increasing returns and other positive feedback mechanisms (Arthur, 1994). While much of the initial work on path dependence focused on very specific technologies, it quickly 'jumped scale' to incorporate the analysis of economic sectors, institutions and wider economic systems (MacKinnon et al., 2009).

Path dependence has also been of considerable interest to geographers, and is one of the central ideas underpinning evolutionary economic geography. For economic geographers, path dependence is often constructed as a form of *place* dependence in which local or regional outcomes are, in one way or another, shaped by past events and outcomes (Plummer and Tonts, 2013a). In analytical terms, this means understanding the ways in which applications of specific technologies, previous rounds of investment, sunk costs, dynamic increasing returns, institutional structures and social routines all contribute to cumulative and self reinforcing spatial development (Plummer and Tonts, 2013a,b). One of the concerns of economic geographers has been how these cumulative and self-reinforcing processes eventually lock regions into a particular development trajectory. Once this 'lock in' occurs, it often takes a large external shock to destabilize (or delock) the system and create entirely new development paths.

In a recent contribution, Tonts et al. (2012) have argued that evolutionary economic geography and, in particular, the notions of path dependence and lock-in have considerable value in interpreting processes of rural development. They argue that rural economies and particularly those based around agriculture often have development histories characterized by large sunk costs, specialized skills and knowledge, land use systems, institutional structures, and deeply embedded social and cultural routines that tend to be cumulative and self reinforcing. However, they also point to the role of economic and political shocks in contributing to economic restructuring and the emergence of new rural industries. Most apparent here was the upheaval in the Australian agricultural sector during the 1980s and 1990s as a severe cost price squeeze, rising debt-equity ratios and widespread deregulation led to an economic and social crisis across many rural regions (Lawrence, 1987, 1996; Smailes, 1997; Pritchard, 2000).

It is in this context that the complementary notion of resilience is important. Resilience occupies an increasingly prominent position within evolutionary economic geography as a means of explaining the ways in which local and regional economies are able to cope with disruption or shocks and subsequently regain functional capacity (Hudson, 2010). In essence, the work on resilience is focused on the ability of economies to recover following major upheaval. However, it is important to stress that this recovery is rarely implied to mean returning to the same economic state, but, in many cases, a new set of functional arrangements that underpin economic and social wellbeing (Christopherson et al., 2010). Concepts embedded within the resilience literature, such as 'adaptive

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