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Urban-Rural Interactions

Towns as Focus Points in
Rural Development



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Chapter 1

Introduction

1.1 Small and Medium-Sized Towns

In terms of land area, modern Europe (EU-25) is 90% rural (European Communities 2006). The rural areas are quite diverse not only geographically and in terms of landscape but also in terms of the different challenges they face. However, the shift from agricultural production towards a multifunctional landscape and the increasing value assigned to environmental values affects all rural areas. According to the OECD, today, even in the predominantly rural regions, agriculture contributes less than 15% to the total production and income generated (OECD 2002).

Much research has been undertaken on both urban issues and rural areas, but the number of recent studies dealing with small or medium-sized towns (5,000–20,000 inhabitants) is limited.¹ In a way this is strange, because towns also have many of the advantages that cities have, and they are also strongly connected to their surrounding areas. Towns used to have a symbiotic relationship with their surrounding area, acting as a source of firm and farm inputs (both goods and services), as a first destination for farm outputs, as a provider of (supplementary) employment and income to households, and as a source of consumer goods and services for households (Tacoli 1998). Over the years, this symbiosis has certainly changed, but towns could still be considered as important tools in rural development, not only in peripheral areas but also in the vicinity of cities. Towns are locations where rural activities meet and where (often) organizational advantages are found. If something needs to be changed in rural areas, then towns could be a place to start.

In this study, we will focus on the current function of towns in the regional economy in Europe in general and in the Netherlands more specifically. We will try to find out how important the local economy is for households, farms and firms in small and medium-sized towns and in which way.

¹Exceptions are a number of studies dealing with town issues in the UK, e.g. Thomas and Bromley 1995; Powe and Shaw 2004; Findlay and Sparks 2008). However, studies about such towns in other European countries are rarely found.

1.2 Recent Developments

Modern Europe has rural roots. As mentioned, even today, as much as 90% of Europe (EU25) consists of rural areas in which half of the population lives. The different challenges that rural areas face range from restructuring the agricultural sector, remoteness, poor service provision, and depopulation to population influx and pressure on the natural environment, particularly in the rural areas close to urban centres. Recently, climate change can also be added as a challenge. Problems caused by climate change will predominate in the southern areas of Europe. The potential increase in water shortage and extreme weather conditions may cause lower harvestable yields, higher yield variability, and a reduction in suitable areas for traditional crops (Olesen et al. 2008). In northern areas, on the other hand, climate change may produce positive effects on agriculture through the introduction of new crop species and varieties, higher crop production, and the expansion of suitable areas for crop cultivation.

A wide range of other developments are taking place both in cities and in the countryside. On the one hand, there is a decline of facilities in rural areas. In particular, in certain remote places in France, but also in regions in England or the Netherlands, smaller shops often have to close down because they can not compete with large (inter)national chains. Although this also happens in larger cities, the consequences in rural areas have a stronger societal impact, particularly in remote areas where the distance to the next shop can be considerable. On the other hand, technological developments, such as the Internet, increasingly enable rural households (as well as rural firms) to order and sell a wide range of products from home, in a very efficient and simple way. In the Netherlands, it appears that particularly households and small firms in rural areas are selling their products on 'Marktplaats', an E-bay-like trading-website (Havermans 2007). Besides scale enlargement in the retail sector, health and education services are also scaling up. Again, this is taking place in both city and countryside, but it has a negative effect particularly on vulnerable groups, such as children and the elderly in rural areas.

Nevertheless, in cities as well, certain developments can have a strong (negative) impact. One example is that cities are becoming less attractive locations for households and firms. Congestion and a decreasing quality of life in cities make rural areas (relatively) more attractive. Broersma and van Dijk (2008) found that the negative (economic) effect of congestion dominates the positive agglomeration effect of cities, particularly in the core regions of the Netherlands. Furthermore, according to Heins (2004), nearly 90% of the Dutch urban residents who are planning to move would like to go to a residential environment with rural characteristics.² This results in a tension between demand and supply where rural living is concerned, especially in the western part of the country (Ministry of

²However, to urbanites, rural living does not necessarily mean living in a completely rural area; half of them would like to move either to the real countryside or to a residential environment in the urban zone with rural characteristics.

Housing 2000). This ‘counter-urbanization’ is encouraged by an increasing level of mobility (Champion 1998); over the last 20 years, the average distance between place of residence and place of work has increased by almost 60% (Statistics Netherlands 2008). Nowadays, it is easier for households to work in a city but live in a pleasant town.

However, this increasing demand for rural living is not occurring in all countries. Berry and Okulicz-Kozaryn (2009) found that among the wealthier countries of the world it is those of Anglo-Saxon heritage that display a strong level of satisfaction with rural living and dissatisfaction with big-city residence. On the other hand, European countries of Latin heritage display no preference for either rural or urban living.

1.3 Countryside Policies and Towns

1.3.1 *European Countryside Policies*

EU policies, concerning rural areas and the agricultural sector have changed considerably over the last 40 years. After the Second World War, it was considered important to increase the output of the agricultural sector to ensure the availability of enough food to avoid shortages. Emphasis was put on the modernization of the agricultural sector and the restructuring of rural areas. This resulted in severe damage to the rural environment and landscape. Recently, the focus has shifted from the production of agricultural products to a focus on the development of rural areas in general. The recent reforms of the Common Agricultural Policy (CAP) introduced the decoupling of subsidies from production, the possibility to reduce direct payments to the farmer if sustainability standards are not respected (cross-compliance), and the transfer of funds (modulation) from the 1st to the 2nd pillar.³ This includes the recognition of the multifunctionality of agriculture (not only producing food) and a multi-sectoral and integrated approach to the rural economy in order not only to diversify activities and create new sources of income and employment but also to conserve the rural heritage and landscape. The EU’s Rural Development Policy 2007–2013 focuses on four main themes: increasing the competitiveness of farming and forestry; protecting the environment and countryside; improving the quality of life; and the diversification of the rural economy. In order to obtain EU support, all Member States have had to prepare a Rural Development Programme (RDP), setting out those measures that they intend to implement in the period 2007–2013. The four themes are complemented by a ‘methodological’ approach, the LEADER approach. The LEADER programme

³The 1st pillar concentrates on providing basic income support to farmers, who are free to produce in response to market demand, while the 2nd pillar supports agriculture, as a provider of public goods, in its environmental and rural functions, and rural areas in their development (European Communities 2006).

aims to foster economic development in rural areas by utilizing a partnership approach. It operates via geographically-based Local Action Groups, consisting of representatives of the appropriate local authorities, other development agencies, and community groups (European Communities 2006). For this LEADER approach, towns are of great importance.

1.3.2 Towns in National Countryside Policies

Only in a few countries are towns explicitly mentioned as important tools in rural development. However, implicitly, their value is apparent. In France, spatial planning policy strives to forge links between town and country. The French Government claims that it is aware of the critical role that medium-sized towns (urban areas with a population of 30,000–200,000) play as an interface between the metropolises and rural areas and as centres for jobs and services (Ministère des Affaires Étrangères 2006).

As in the other new Member States, in Poland the agricultural sector is still relatively important. Nevertheless, the income of rural households mainly consists of early retirement payments, pensions, and social security. Furthermore, there is a surplus of rural workers, particularly because of modernization processes in the agricultural sector. In this regard, the issue of seeking alternative sources of income is very important. Therefore, the relatively dense network of towns is seen as a great advantage to solve many of the problems faced by the Polish rural areas and to encourage economic development (Hadyńska and Hadyński 2006).

In a densely populated country such as the Netherlands, for many years strong national planning controls have sought to contain economic activity and housing within towns in order to protect the surrounding countryside. In the most recent rural policy document, the ‘Agenda for a Living Countryside’ (Ministry of Agriculture, Nature and Food Quality 2004), it is accepted that, although agriculture still dominates land use and the identity of the Dutch landscape, in many regions it no longer provides the main economic base. Therefore, the importance of introducing new economic activities in rural areas is acknowledged, and the development of new firms and new houses can be more frequently allowed in towns and rural areas. Furthermore, concerning the quality of life and the decreasing level of facilities in towns, the government aims to encourage local initiatives by both municipalities and residents to preserve social linkages and amenities.⁴

⁴Interestingly, to a certain extent, this approach seems to work. Around 2004, the first initiatives began to take effect and maintain a certain level of facilities in small towns by developing ‘Hart shops’ or ‘Service shops’. In many regions the provincial government subsidizes local initiatives to develop shops in which both commercial and public services are offered at the same location, in order to keep a basic level of facilities (Lieshout 2005). An example is a small town near Deventer called Lettele, where the municipality of Deventer opened a service point in an existing shop, and, recently, the library also started to lend books from this location. Nevertheless, the government is (still) responsible for social care, cultural facilities, and libraries.

Only in the UK are small and medium-sized towns – known as ‘market towns’ – seen as key-elements in rural development which contribute significantly to prosperity in the rural areas around them as described in the Government’ Rural White Paper *Our Countryside: The Future - A Fair Deal for Rural England* (DEFRA 2000). These towns are considered particularly important in providing employment, services and social activities for their own inhabitants and the inhabitants of their hinterland. However, in more recent documents, it is recognized that it is not efficient to have general policies regarding market towns, but it is important that initiatives to enhance social and economic prosperity are tailored to the particular needs of the region and local people (DEFRA 2004).

1.3.3 Economic Diversity

The increasing focus of policies on a multifunctional agricultural and a diverse rural economy often seems to lack any support from empirics. Since the reform process began, the term ‘multifunctionality’ has been often used, and even provides support for non-agricultural activities (Râmniceanu and Ackrill 2007). The most common definition of multifunctionality derives from the idea of the joint production of commodity and non-commodity outputs. However, implicit in the debate is the distinction between agricultural multifunctionality (tourism at the farm) and rural multifunctionality (Rodríguez Rodríguez et al. 2004).

The regional literature offers the hypothesis that more industrially diverse areas should experience more stable economic growth and less unemployment than less diverse areas. However, diversity is not simply the absence of specialization. Moreover the direction of the relationship between diversity and performance is not always very clear. Specialization and diversity both have a positive effect on new firm formation, as well as on the growth of incumbent firms (Van Oort 2007). On the one hand, Gleaser et al. (1992) find that employment growth and firm dynamics are enhanced by a diversity of economic activities. On the other hand Black and Henderson (1999) and Beardsell and Henderson (1999) find employment growth is faster when most firms concentrate within one sector (specialization).

However, different spatial and economic circumstances can call for the economic diversification of rural areas. In EU and national policies, a clear tendency to increase agricultural and rural multifunctionality can be seen. The question, however, is: To what extent does economic diversification positively affects economic performance of rural regions?

1.3.4 Importance of Towns

Taking into account the significant changes and challenges in rural areas and the economic and organizational advantages of towns, it can be expected that towns will become increasingly important for (inter)national policy makers,