



Endogenous Development: Role of Territorial Capital in Rural Areas

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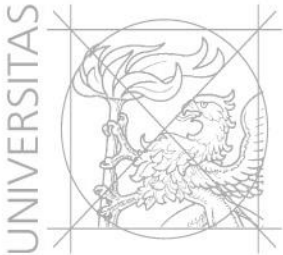
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Structure of presentation

- **Short review of main processes of Hungarian countryside**
- **Change of rural functions**
- **Theory of endogenous development**
- **Territorial capital – rural areas**



Short review of main processes of Hungarian countryside

- As Sütő (2011) writes, the most unfavourable rural, peripheral north-eastern and south-western parts, and others too, of the country are typified by serious **depopulation**. On the other hand, **Budapest and some wealthy western territories**, predominantly bigger cities, show a population increase or at least stagnation
- As Enyedi (2012) articulates in relation to **rural-urban dichotomy** and their inequalities, neither the social nor the economic changes having taken place since the regime change provide favourable circumstances for eliminating differences
- In relation to the countryside, the **role of agriculture** has to be mentioned, which was characterized by uncertainty and convulsion due to sudden changes after the economic transition (Benet 2006).



Change of rural functions

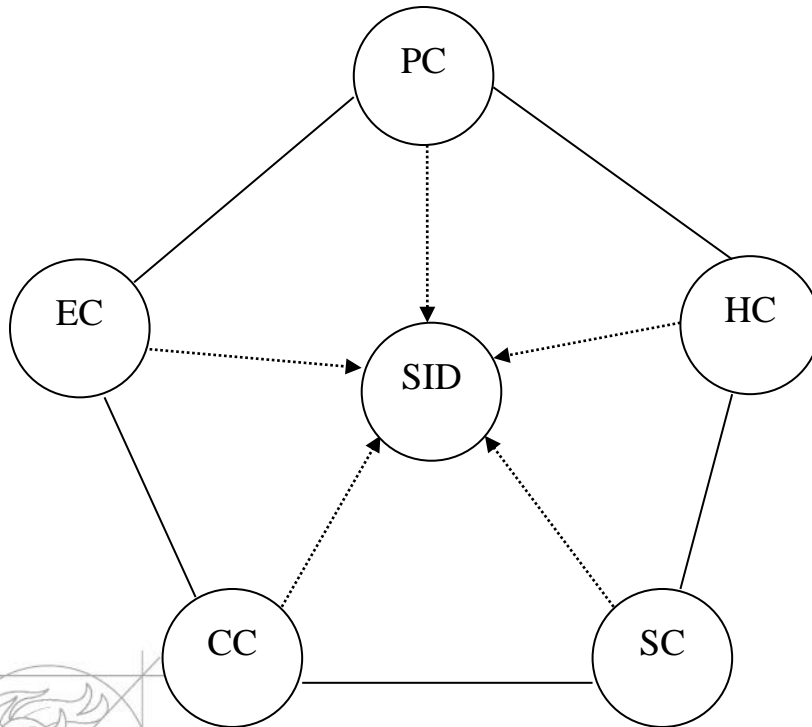
- OECD (2006) confirms that nowadays rural areas face general challenges.
- OECD (2006) introduces a **new rural paradigm**,
 - focus on places rather than sectors and
 - stresses investments rather than subsidies
- These key orientations are the result of at least three factors that have **great influence on rural policy making** across OECD countries (OECD 2006, pp. 57-58.):
 - (1) *increased focus on amenities,*
 - (2) *pressures to reform agriculture policy,*
 - (3) *decentralisation and trends in regional policy*
- As Ward and Brown (2009) describes **exogenous subsidy and support as old redistributive approach**, now when we see the **shift in thinking** in regional policy, **endogenous assets** and capacities have a more dominant role as part of an investment-oriented approach.

Theory of endogenous development

- **Growth** induces **quantitative** change, **development** results in **qualitative** change
- **Economic development** encompasses economic growth, because besides basic economic indicators it is advisable **to take some other economic features** into account as well (Lengyel 2012)
- The tone of regional development theory and its focus **has shifted from exogenous** factors to a focus **on endogenous** factors during the past few decades (Stimson et al. 2001).
- Essentially, endogeneous development means **a region's reliance on and the best possible utilization of local resources and facilities.**



Sustainable regional development

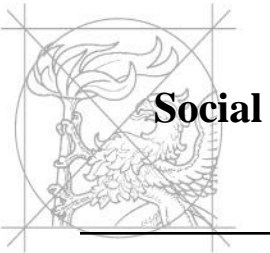


- The availability of productive capital (PC)
- The presence of human capital (HC)
- The access to social capital (SC)
- The usage of creative capital (CC)
- The existence of ecological capital (EC)



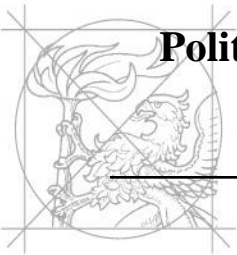
The Seven forms of Capital recognised by Asset Based Community Development

| <i>Capital</i> | <i>Definition</i> | <i>Examples in rural context</i> |
|------------------|--|--|
| Financial | Financial capital plays an important role in the economy, enabling other types of capital to be owned and traded. | The liquid capital accessible to the rural population and business community, and that held by community organisations. |
| Built | Fixed assets which facilitate the livelihood or well-being of the community. | Buildings, infrastructure and other fixed assets, whether publically, community or privately owned. |
| Natural | Landscape and any stock or flow of energy and (renewable or non-renewable) resources that produces goods and services, (including tourism and recreation). | Water catchments, forests, minerals, fish, wind, wildlife and farm stock. |
| Social | Features of social organisation such as networks, norms of trust that facilitate cooperation for mutual benefit. May have "bonding" or "bridging" functions. | Sectoral organisations, business representative associations, social and sports clubs, religious groups. 'Strength' relates to intensity of interaction, not just numbers. |



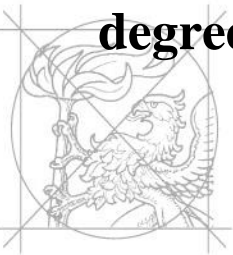
The Seven forms of Capital recognised by Asset Based Community Development

| <i>Capital</i> | <i>Definition</i> | <i>Examples in rural context</i> |
|------------------|---|---|
| Human | People's health, knowledge, skills and motivation. Enhancing human capital can be achieved through health services, education and training. | Health levels less variable in an EU context. Education levels very much generational. 'Tacit knowledge' is as important as formal education and training. |
| Cultural | Shared attitudes and mores, which shape the way we view the world and what we value. | Perhaps indicated by festivals, or vitality of minority languages. Some aspects - e.g. 'entrepreneurial culture' - closely relate to human and social capital. |
| Political | The ability of the community to influence the distribution and use of resources. | Presence of, and engagement in, 'bottom up' initiatives, the most local part of 'multi-level governance'. Relates to local empowerment v. top-down policy, globalisation. |



Territorial capital

- When working with the framework of the **numerous types of capital** we can talk about the appearance of territorial capital as a special approach of endogeneous development.
- set of assets which **determine** a given territory's **character** (Camagni 2008)
- the components of territorial capital are examined in terms of two factors: **degree of materiality and rivalry.**



Territorial capital

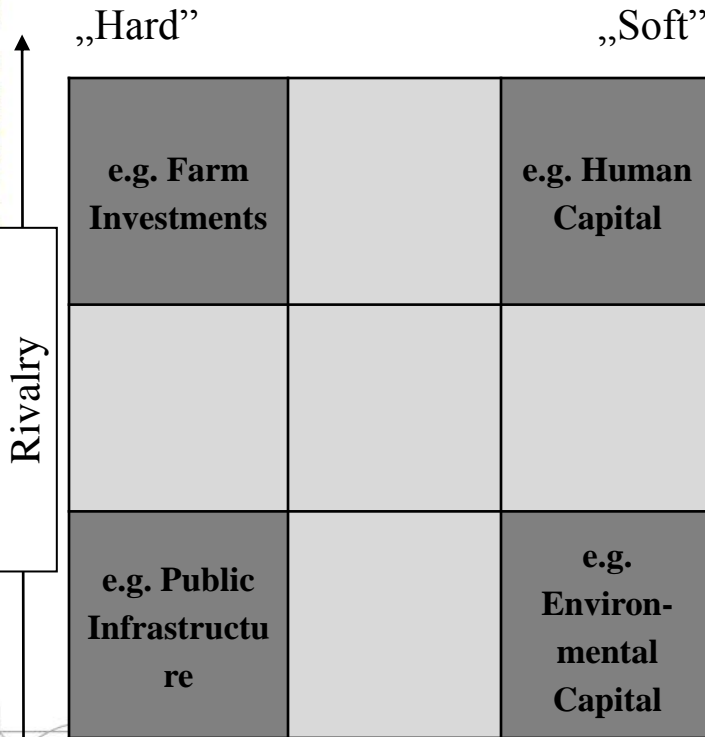
Rivalry



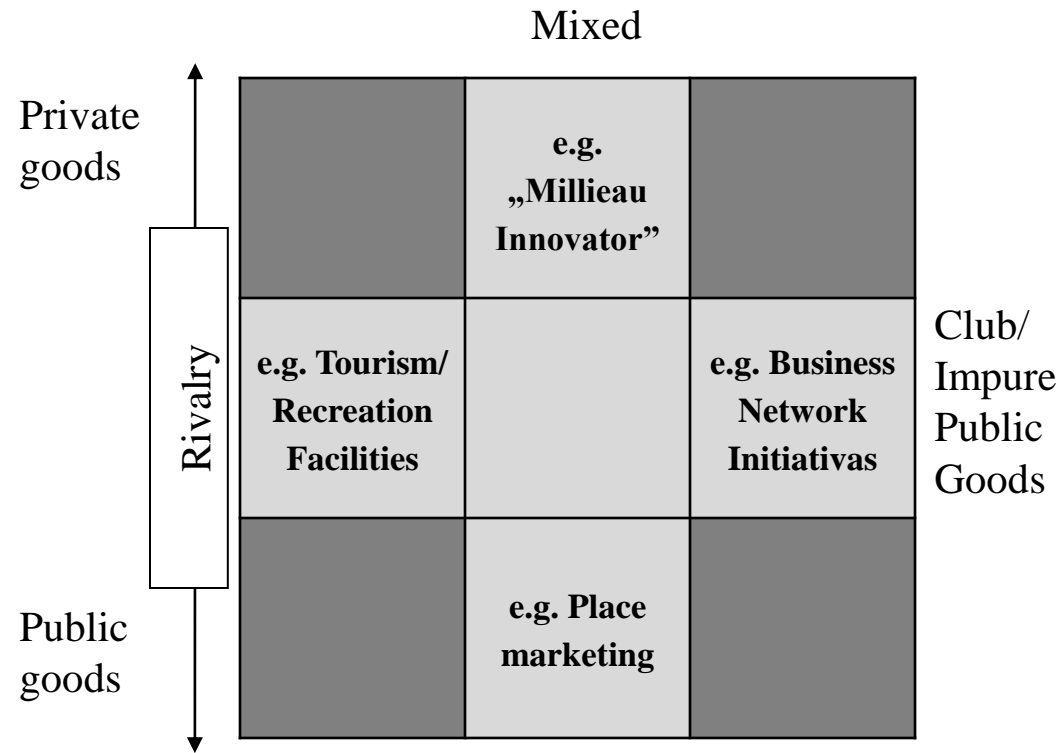
| | | | |
|---|---|--|---|
| <p>High rivalry (private goods)</p> <p>(club goods)</p> <p>(impure public goods)</p> <p>(public goods)</p> <p>Low rivalry</p> | <p>Private fixed capital stock</p> <p>Pecuniary externalities (hard)</p> <p>Toll goods (excludable)</p> <p style="text-align: right;">c</p> | <p>Relational private services operating on:</p> <ul style="list-style-type: none"> - external linkages for firms - transfer of R&D results <p>University spin-offs</p> <p style="text-align: right;">i</p> | <p>Human capital:</p> <ul style="list-style-type: none"> - entrepreneurship - creativity - private know-how <p>Pecuniary externalities (soft)</p> <p style="text-align: right;">f</p> |
| | <p>Proprietary networks</p> <p>Collective goods:</p> <ul style="list-style-type: none"> - landscape - cultural heritage <p>(private 'ensembles')</p> <p style="text-align: right;">b</p> | <p>Cooperation networks:</p> <ul style="list-style-type: none"> - strategic alliances in R&D and knowledge - p/p partnerships in services and schemes <p>Governance of land and cultural resources</p> <p style="text-align: right;">h</p> | <p>Relational capital (associationism)</p> <ul style="list-style-type: none"> - cooperation - collective action capability - collective competencies <p style="text-align: right;">e</p> |
| | <p>Resources:</p> <ul style="list-style-type: none"> - natural - cultural (punctual) <p>Social overhead capital:</p> <ul style="list-style-type: none"> - Infrastructure <p style="text-align: right;">a</p> | <p>Agencies for R&D transfer</p> <p>Receptivity enhancing tools</p> <p>Connectivity</p> <p>Agglomeration and district economies</p> <p style="text-align: right;">g</p> | <p>Social capital: (civiness)</p> <ul style="list-style-type: none"> - institutions - behavioural models, values - trust, reputation <p style="text-align: right;">d</p> |
| | <p>Tangible goods (hard)</p> | <p>Mixed goods (hard+soft)</p> | <p>Intangible goods (soft)</p> |

Materiality

Application of Camagni Territorial Capital Framework in a rural policy context



The traditional square



The innovative cross

Summary

- **Processes of Hungarian rural territories** after the regime change
- Rural areas: **international trends and the changes** in their functions affecting policies
- **Endogenous development**
- **Territorial capital**
 - **Conceptual framework**
 - **Intangible goods**
 - **Rural adaptation:**
 - **some critics**
 - does not mean of course that the concept would not turn into the **part of policy discourse** (Copus et al. 2011)
 - **Quantitative and qualitative analyses**



Thank you for your attention!

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