

REGIONAL DEVELOPMENT IN NORTHERN EUROPE

PERIPHERALITY, MARGINALITY AND BORDER ISSUES



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EDITED BY
MIKE DANSON AND PETER DE SOUZA

Regional Development in Northern Europe

This book is dedicated to the theme ‘Peripherality, marginality and border issues’. It has developed out of interests and concerns over the position and attention given to such regions across the globe, but particularly within a Europe where cities and city-regions are dominating the research and policy agenda. With its launch in 2008, the topic has received a very significant interest and has gathered an initial network of well over 150 scientists and practitioners and is joined daily by new interested parties. This volume complements the network’s aims of bringing together facilities, expertise, experience and resources focused on peripheral and marginal communities and economies. The book will support the dissemination of research from across northern Europe, foster knowledge exchange and contribute to more significant cooperation across borders.

Much research and attention has been paid to the regions in the core of Europe, and especially to cities, city-regions and old industrial areas and to some of their underlying characteristics – such as clusters, agglomeration phenomena generally and regional innovation systems. In this environment, the specific features of peripheral and marginal regions have been relatively neglected while many actors located in non-core areas of Europe face obstacles and challenges in applying locally the theories and strategies appropriate to the centre. To address this, there is a clear need for a theoretical and methodological foundation complemented by a systematisation of best-case and worst-case practices.

This book draws on work from across northern Europe and is parallel and complementary to the network itself. By establishing an intellectual and practically orientated framework and platform, and by bringing together contributions defining the state-of-the-art and potential development paths in the field, it is the first volume to offer a systematic and scientific view from the periphery.

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Peripherality, marginality and border issues

Edited by Mike Danson and Peter de Souza

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1 Periphery and marginality

Definitions, theories, methods and practice

Mike Danson and Peter de Souza

Aims of the book

This book is dedicated to the theme *Peripherality, marginality and border issues*. It has developed out of interests and concerns over the position and attention given to such regions across the globe, but particularly within a Europe where cities and city-regions are dominating the research and policy agenda. The chapters and arguments complement the work of the associated international research network (www.pemabo.net) which brings together facilities, expertise, experience and resources focused on peripheral and marginal communities and economies. This volume aims to support the dissemination of research from across northern Europe, foster knowledge exchange and contribute to more significant cooperation across borders.

Much research and attention has been paid to the regions in the core of Europe, and especially to cities, city-regions and old industrial areas and to some of their underlying characteristics – such as clusters, agglomeration phenomena generally and regional innovation systems. In this environment, the specific features of peripheral and marginal regions have been relatively neglected while many actors located in non-core areas of Europe face obstacles and challenges in applying locally the theories and strategies appropriate to the centre. To address this, there is a clear need for a theoretical and methodological foundation complemented by a systematisation of best-case and worst-case practices. Some researchers (e.g. Christaller, 1964; Erkut and Özgen, 2003; Dow and Dow, 2005; Eriksson, 2010) based in the periphery, of course, offer exceptions to the failure to define periphery and the peripheral and an example of research by and from the periphery. Others (e.g. Stephenson, 1999; Ballas *et al.*, 2003) confound peripherality and rurality.

This book draws on work from across northern Europe and is parallel and complementary to the network itself. By establishing an intellectual and practically orientated framework and platform, and by bringing together contributions defining the state-of-the-art and potential development paths in the field, it is the first volume to offer a systematic and scientific view from the periphery.

The primary objectives of this book are to:

- define the state-of-the-art, when it comes to the concepts of periphery, marginality and border issues in theoretical, methodological and practical dimensions
- promote scientific discussions and contributions taking forward theoretical and methodological issues in relation to peripheral, marginal and border region issues
- create a platform for the combination of intellectual discussion and practical endeavours in this special and specialised field of regional development, issues and practice
- develop this discussion directly and through the presentation of empirical studies creating a foundation for comparative research on a wide geographical scale
- further contribution to the organisation of scientists and regional actors and policymakers in this field and complementary to the organisation of a scientific and practical network. So, it will contribute to a structured and long-term cooperation in this field where this book series can be established as the primary outlet for such debates and discussions.

The rationale derives from the current unsystematic and fragmentary nature of the literature on peripheral and marginal regional issues, exacerbated by the uncritical application of mainstream and core regional concepts in these environments.

Background

Analyses of the non-core areas of Europe face obstacles and challenges in applying locally the theories and strategies appropriate to the centre. The unmet demand to inform debates and policy formation in the periphery is confirmed by considering the literature underpinning peripherality and by anecdotal evidence collected from conferences across the continent and more widely in the Northern hemisphere. This suggests the need for more effective and dedicated networks to examine the particular issues of peripheral regions and marginality and to share their common lessons and experiences. In the context of competitiveness and centralisation, each enlargement of the EU has also included but also generated more peripheral regions. This makes the pursuit of this agenda within the specific context of the Northern Periphery of Europe all the more valuable and the stimulation of activities on this basis a worthwhile endeavour.

To introduce these discussions and concepts, this chapter sets the context by considering the existing literature and approaches adopted across disciplines, times and territories. The other chapters offer theoretical and descriptive insights into these issues but here we are especially interested in addressing these dimensions of Northern European regions from first principles.

The chapter is structured as follows: in the next section we explore the meaning of the keywords ‘peripheral’, ‘peripherality’, ‘margins’, ‘marginality’ and other

derivatives of the roots of these terms. As they vary in definition and in interpretations, there is an examination of these terms in different languages. There is some discussion of synonyms and antonyms as it is anticipated that this will offer some illumination of the underlying meanings within and between usages. Similarly an assessment of Google hits and allied online catalogues is attempted.

This approach is extended by looking at how different disciplines theorise, use and apply these terms. Then there is a brief survey of examples of peripherality/marginality in practice – sampling papers, articles, etc. Next, the variation of methodologies and methods across subject areas and disciplines is covered. All the foregoing is a preamble to establishing a research agenda; that is, what still needs to be undertaken to understand/standardise/benefit from these terms in research on the periphery. Finally the chapter concludes with a summary of the issues identified and introduces the remainder of the book.

Introduction

The modern answer to the question of what drives economic growth and development is to be found in a combination of knowledge, creativity, innovation and entrepreneurship. Theories, ideologies and strategies are formed, to a high degree, by contexts and actors. Development and growth – in their preconditions and consequences – are differentiated geographically; they eventually appear somewhere and then, perhaps, filter outwards, downwards and possibly also upwards, wherever the observer is positioned in the mapping exercise. Places, areas and regions could be described by the nature of their preconditions in the way of resources and have different potentials to utilise, exploit or, in the case of path dependencies, be challenged by these prerequisites. They also appear in real or functional distances from each other, and in relation to the forces and resources that are promoting or hindering development. The pictures of the development potential of the place is determined by contextual (time-space defined) relationships.

‘Periphery’ and ‘marginality’ appear as special dimensions, versions or variants of this framework which are worth elaborating on afresh due to the following perspectives:

- not many studies do consider them generally
- they are, even as state-of-the-art, quite fuzzy concepts in spite of their noted presence
- they offer the opportunity to improve understanding of what promotes and hinders growth and development, particularly in the non-core regions but also more generally
- for better analysis and knowledge of the areas in the periphery themselves, although much of the interesting material describes the uniqueness of each and every region.

It is perhaps self-evident that the ultimate purpose in such developments will be in identifying the implications for practice and policy development. The questions of

central importance in this approach include: Is the periphery (read periphery *and* marginality at this stage) a burden, or a contribution to a larger society? Should the periphery be seen as the container for a specific group/kind of people – the inhabitants of the periphery, and nothing more? Is the periphery the outcome of the centre's development? Is the periphery the spoils of a special kind of historical and economic/political development? Should the analysis of the periphery be defined by what it was, what it is or what it is becoming? Could one identify different roles for the periphery in different stages of societal development – what is generalisable within the always unique trajectory? Depending upon the functional pattern and/or place in the geography, could something be said about the past, present and future – within the same kind of analytical framework?

What is of interest within these questions and among those questions not put forward? Do we care and for what do we care?

For one thing there are some people among us that grow up, eat, go to school, make love, that live there. Periphery is created, experienced and continuously present. There is always something to be done about the periphery in the periphery, whatever its appearances or circumstances, and this is also true – or maybe even more so – in an intellectual capacity.

The words 'periphery' and 'marginality' – basics

As already stated, both of these terms are extremely fuzzy concepts: lacking clarity and difficult to test or operationalise (Markusen, 1999). Similarly, all their potential derivations are usually exploited very loosely: 'peripheral', 'peripheralisation', 'periurban' (though such concepts with a more technical terminology usually seem to be applied more carefully), 'marginal', 'marginalisation', etc. What seems evident from the day-to-day utilisation of the terms is that they seem to be applied to quite a wide range of issues, sometimes losing contact with what we want to discuss as their nucleus.

Considering thesaurus definitions, the authoritative Swedish Thesaurus published by the Swedish Academy recognises different types of periphery – using such words as 'outer', 'in the outskirts', circumference ('omkretsen') and 'unimportant' (Blom, 1996: 1). In relation to 'margin' there are a number of entries:

As in writing notes at the margin of the page.

As in a zone with a certain width, a beach.

Room to act, react in the essence of safety margin.

Similar to periphery, circumference, border, boundary can also be found but also as symbolic or non-material usages, like 'living on the margins of society'.

In a spatial sense there is room (elbow room), as in allowing or leaving a margin.

In a functional sense there is finding or defining room to manoeuvre; and to estimate a margin, to include a margin of error.

Given the looseness in the way these terms are used, even in the academic and policy literature, it is appropriate to consider what another widely consulted source, Wikipedia, says. The following are edited from the online encyclopaedia:

Generally, a periphery is a boundary or outer part of any space or body. It is derived from the Greek word περιφέρεια, meaning a circumference or outer surface.

- In biology, the periphery of the body is the part that is away from the central or core regions. For example, the peripheral nervous system is distinct from the central nervous system.
- Peripheral vision is that part of visual perception that occurs in the periphery, i.e., near the edges.
- A computer peripheral is added to a host computer in order to expand its abilities.
- Periphery countries include nations that are not core countries.
- The thirteen peripheries of Greece are sub-national subdivisions of that country, equivalent to regions.
- In Issac Asimov's *Foundation Series*, the Periphery is that part of the Empire that lies on the very edge of the Milky Way Galaxy.
- Periphery also refers to the boundary of a town or city, also known as outskirts or suburbs; it also refers to what is not mainstream or central.

With regard to 'margin', in economics, marginal concepts refer to the effect of producing or consuming *one more* of a good, i.e. at the edge, or margin, of the total produced/consumed. For example, marginal cost refers to the cost of producing one more unit of some good. Marginal benefit is the extra utility accrued from one additional unit of a good. Similarly marginal utility is the additional utility (satisfaction or benefit) that a consumer derives from an additional unit of a commodity or service.

Utilising one of the primary search engines to find instances of the main terms and their derivatives drew forth the following results:

Google hits (accessed 12 May 2008)

Periphery	8 560,000	Margin	23 300,000
Peripheral	35 700,000	Marginal	22 900,000
Peripheral areas	730,000	Marginal areas	886,000
Peripheral regions	471,000	Marginal regions	378,000

Etymology

These are significant numbers and demonstrate the broad usage of the terms, with the varying applications (Wikipedia discussion above) explaining their capacity to describe and be used in different contexts. Considering the origins of the words confirms their common roots and contrasting meanings:

Periphery

1390, from O.Fr. *periferie*, from L.L. *peripheria*, from Gk. *peripheria* ‘circumference, outer surface,’ lit. ‘a carrying around,’ from *peripheres* ‘rounded, moving round, revolving,’ *peripherein* ‘carry or move round,’ from *peri-* ‘round about’ + *pherein* ‘to carry’. *Peripheral* first recorded 1808.

Margin

1362, ‘space between a block of text and the edge of a page,’ from L. *margo* (gen. *marginis*) ‘edge,’ from PIE **mereg-* ‘edge, boundary’ (see *mark* (1)). General sense of ‘boundary space’ is from 1382. Meaning ‘comfort allowance, cushion’ is from 1851; *margin of safety* first recorded 1888. Stock market sense of ‘sum deposited with a broker to cover risk of loss’ is from 1848. *Marginal* (1576) originally meant ‘written on the margin,’ from M.L. *marginalis*, from L. *margo*; sense of ‘of little effect or importance’ first recorded 1887.

Explanations

Periphery

Dictionaries define periphery as the outside or external boundary or surface of something; as the outermost part or region within a precise boundary; and as a zone constituting an imprecise boundary. The Merriam-Webster Online Dictionary, for instance, refers to the outward bounds of something as distinguished from its internal regions or centre; and an area lying beyond the strict limits of a thing. A number of references to geographical location, as in being remote, can be found in such sources. Finally here, in Norwegian and Swedish, the word ‘avkrok’ has a meaning of something out-of-bounds. For ‘margin’, the terms are defined in similar ways to the thesaurus approach above.

It can be instructive to consider what terms are used to mean the same as (synonym) or the opposite (antonym). A search of thesauruses and other sources shows:

Synonyms

Periphery – boundary, edge, border, skirt, fringe, verge, brink, outskirts, rim, hem, brim, perimeter, circumference, outer edge, ambit.

Peripheral – dispersed, distant, circumferential, fringy, marginal, encircling, off-base, incidental, outskirts, suburbs, hinterland, remote.

Marginal – fringy, peripheral, borderline (minimal, minimum), bare as in bare essentials, marginal (unprofitable).

Antonyms

To periphery/peripheral – central, amidship, bicentric, bifocal, centre, accessible, halfway, middle, midway, centred, centric, central, core, focal, median, medial, middlemost, midmost, nuclear, nucleus, mainstream.

To marginal – nearly the same as above.

Being peripheral and marginal relates to something that is central, according to a specification of centre or close, which indicates that a comparison of the two terms could be done through substantiating their common opposite. It can also be noted here that one use of periphery, as an antonym, is in terms of being in-between; that is, not at the edge but rather defined in terms of being located between centres which relates well to one of the origins of this specific research – the negative position of certain towns in the shadow of one or more city-regions.

(Danson, 2009)

As the application of the concepts tends to be driven by different groups differently with subtleties and nuances in interpretation, it can be fruitful to start with a synonym and compare and contrast the revealed meanings of the compared term. Successively building the substance this way does not, however, confirm that no ultimate and agreed definition is recognised and accepted in any particular case.

An example would be the adoption of ‘core cities’ or ‘core regions’, where the antonym ‘peripheral (e.g.) cities, hinterland, region’ is undetermined. Does core define and determine the periphery as Anderson, for example, believes ‘the periphery is best understood as a subordinate of the core’ (2000: 92)? The periphery tends to be the opposite of the main focus of attention: so the economic / social system defines, analyses, establishes policies for the centre or core and the periphery is ‘the other’, the remainder, etc. There is a history in geography and sociology of discussing ‘the other’ and this can be drawn upon to examine the interactions between place, people and status/power. Alternatively, the periphery may be defined by the core as not having characteristics or features of core, i.e. it is specifically their absence that is critical, rather than the positive presence of having their own definable and defining factors. Within core or city regions, the periphery of the whole is irrelevant in most analyses, especially where local government or administrative areas are used as a basis.

Another example, where the dichotomy appears as more prominent is centre-periphery, which appears in many contexts. For instance, Teigen (2004: 20) describes an axis where the north of Norway was described, with its cities and

countryside, as the periphery of the nation, and later the understanding of a periphery within the south was also recognised, but in the south it was in the cloak of a city-countryside profile. This reference to rural appears often in the literature as in Jauhiainen (2009): ‘nature, remoteness and other aspects related to periphery’.

The negation

One approach that relates to this discourse is a definition of periphery and marginality based on defining what they do not have, what they are deprived of; the reflection of what is not defining their antonyms. This is widening the antonym approach started above. Dispersed or peripheral organisations are, for example, said to be deprived of the advantages of knowledge spillovers because of the costs of overcoming distance barriers.

Take, for example, the term *robust*¹ regions: they are described as having a large population potential, a relatively strong centre, localisation of international production activities and facilities, and connected with strong growth and development contexts. Is the opposite of this set of characteristics those of peripherality, and robust therefore an extended antonym?

As an example, the argument has been made (Coronado *et al.*, 2008) that regional innovation systems in the periphery are:

likely to be in a formative phase, when the links between university, company and government are still being established and where the principal organizations that generate innovations – the companies – are weaker, smaller, fewer, mostly operating in traditional sectors, with little previous or current innovative activity, and more resistant to change.

Hinting that other factors are at work in the periphery but still not questioning that the processes may themselves be different, Copus *et al.* (2006) conclude that: ‘The whole innovation gap is attributed to non-observable factors constituting a mix of “behaviour and environment”.’

So peripherality is defined in terms of the outcomes of processes, with no underpinning theorisation of structures or power relations. This contrast with the approach of Bilbao-Osorio and Rodríguez-Pose (2004: 434) who embed the analysis in the local environment and recognise that results are ‘contingent upon region-specific socio-economic characteristics, which affect the capacity of each region to transform R&D investment into innovation and, eventually, innovation into economic growth’.

Alternatively, assumptions may be made regarding other social and economic characteristics of the core and periphery, as in the paper by Ruane (1999: 7):

We also assume that unit wage costs in the core (w_c) exceed those in the periphery (w_p) since the periphery is less developed than the core. Despite these lower unit wage costs, MNCs do not produce in the periphery because of the high trade barriers.

From noun to adjective or verb

In this discussion, it is also informative to consider the different forms of the basic term: as noun, adjective and verb. As well as the former two, 'peripheralisation' suggests a process of action (conscious or not) that creates a state of being in the periphery, being peripheral, being less core, etc. Peripheralisation thus is defined as: becomes peripheral through (changes in): the operation of markets, sectors or market forces, (national or international) borders. As before, the companion set of terms from the stem 'margin' often can be understood as fairly similar. However, the relations between these two concepts can be problematic in certain contexts. The two terms are often used as practically interchangeable, and therefore are partly reflected in each other's practices and examples. Nevertheless, often there are nuanced distinctions or subtle differences in degree. So, it is possible to distinguish between people being peripheral and people being marginal, and compounding this people in the periphery could be said to be marginalised. Being on the margin includes the real possibility of appearing in either functional or geographical peripheral positions, but does not have to. On the intuitive stage the interpretation is of being marginalised, which indicates a functional (not a geographical) definition.

Periphery and marginality as status and as process

Demonstrating a careful approach to the application of the terms 'peripheral' and 'peripherality', Domański and Lung (2009: 8) have recently argued that:

Two important fallacies have to be avoided in the debate on the periphery: a static view of the periphery, and the ignoring of its relational character. First, there is no reason to believe in a stable status of the periphery; there are rather processes of creation, reproduction and/or breaking out from peripherality. Second, the periphery can only be understood in the context of its relationships to the core and other peripheries. Periphery is relative to the core.

This proposes that status and relationships to the core are important in working with these terms. Looking first as to whether a status or a process is being described in this dichotomy is, from the outset, making further progress quite problematic because, as usual, the investigation or analysis often treats the concepts in a static manifestation or interpretation, although reality changes continuously. The important analytical approach for the status report is the contextual preconditions (in spite of the fact that these are also in a process of constant evolution). For the process description these could be identified as trigger factors and other types of impacts that contribute to define the direction, nature and progress of the process in itself. There may also be interest in how matters develop and evolve over time. This raises questions over which are the major impact variables or structures and the essence of their changes over time. The timescale for change is an issue: some processes are so long-term that they could be defined as static, especially if the studied process is short and fast.

The significance of time and dynamics is again captured by Domański and Lung (2009: 9): ‘The position of the periphery is also not determined once and for all. The peripheral status of countries may be subject to change if they manage to achieve success in enhancing their position and change their relations to the core’.

Similarly, variables may be continuous or discontinuous, and effects may be path dependent or otherwise; changes may be emergent or precipitous. In terms of any dynamic processes, the periphery may be in a static state or there may be important process dimensions. So regarding the significance of peripheralisation and marginalisation – becoming (more or less) peripheral or (more or less) marginal, respectively – raises questions over the forces involved and whether the forces are (always) derived from the core. However, considering this methodologically, both are naturally necessary in order to understand the manifestation of the concept in real world dimensions, as they also are, as noted, determinants of each other. The analysable nature of the process is partly or mostly defined by the situation at a given time with all its defining properties. Turning some of the arguments around prompts the question of whether the nature of the processes is fundamentally a reflection of the process of centralisation. In other words: the centralised region is a basic characteristic of the fundamental aspects of economic processes in space and function, as exemplified by Selstad (2004) in the city region.

It is in this process of peripheralisation that some subtle differences appear between ‘peripheral’ and ‘marginal’; the latter can be considered as a stronger form embedded in social and economic powers and structures. So, as Herrschel argues in [Chapter 3](#) of this volume: ‘Peripherality may also ... be actively created – whether intentionally or not. This may occur in the form of exclusions and marginalisations of actors through the ways in which policies and power are implemented and defined.’

He argues that in the literature peripheries are ‘linked to disconnectedness and thus marginalisation from the main (“standard”) developments by their inconvenient position’ (Makarychev, 2004: 300). They are laggards ‘which need to be encouraged to “catch up” with the core areas.’

Herrschel ascribes some cases of marginalisation as being due to locations ‘of persons, institutions or places (as grouped local actors) ... between the main corridors of communication’ (Herrschel, 2009), that is in the meshes of a network web.

‘Conventional’ spatial peripherality is then, to an extent, driven and defined by the core actors outwith their area. In both cases of marginalisation, the importance of processes and these players from the centre are critical in creating and recreating margins. As living on the margin can be identified within urban cores, the role of social processes and asymmetrical power relations has been explored and analysed by Jessop (1994) and, here, by Syrett ([Chapter 5](#)). Syrett also stresses the critical significance of exclusion from networks in processes of marginalisation, and that some groups may decide not to integrate and so to put themselves beyond the margins.

Further elaborations of ‘peripheral’ and ‘marginal’

As demonstrated above, peripheral and marginal are ‘fuzzy concepts’ (Markusen, 1999). Crone (Chapter 4 in this volume) takes this discussion further, especially around different aspects of these terms within the regional studies environment. He applies a strictly geographic focus on ‘peripherality’ seeing it as ‘inherently geographical, relational, multi-scalar in nature, as well as carrying connotations of power and/or inequality and having causal elements’. The other dimensions Crone applies – time, etc. – are familiar now following the examination above. As with his analysis, the academic origins of interest in the concepts core and periphery can be traced in the work of Averitt (1968) and Galbraith (1972), with regard to the economic structure, in models of economic growth and land use (Alonso, 1964), Myrdal’s (1957) cumulative causation, Christaller’s work (1964) on peripheral areas and (1966) on central place theory and Vietorisz and Harrison (1973) on primary and secondary segments, Doeringer and Piore (1971) or Massey’s (1984) spatial divisions, each of which model conceptually and describe the processes in the labour market that create and recreate core and peripheral sectors. As Crone summarises, peripherality is also *multi-scalar* in nature, whether focused at the urban scale (Alonso, 1964), on the inter-regional or national scale (Myrdal, 1957; Christaller, 1964) or Wallerstein’s (1974) analysis which identifies core, semi-periphery and periphery places within the world economy.

Summary of the research network’s conclusions

As suggested at the outset, this volume is one of the critical outcomes of the meetings of the international research network on peripheral, marginal and border regional issues in Northern Europe. In reporting the dialogue, debates and discussions over those events, it was agreed that a series conclusion and characteristics of research around this theme could be published. As preparation for entering further into this collection, these are offered here to stimulate engagement and critical feedback. These points also informed the construction, structure and editing of the chapters. The consensus included:

- 1 All presenters live in and work in the northern periphery of Europe. In many contexts (e.g. within the Economics or Political Sciences disciplines in UK higher education), research on the periphery is marginal to the careers of these individuals and their colleagues, or is treated as of lesser worth in publications, promotions and allied areas. This may well suggest new core-periphery problems for researchers. There may also be unwarranted criticism of the roles and motives of those who do sustain this research effort, with questioning of their objectivity for instance.
- 2 The counterfactual is a legitimate area for research; rather than simple adoption of core values, strategies and policies, exploration of alternatives of and for the region should be pursued. This suggests deeper analyses and

understanding are required from researchers, therefore those with a perception of the issues and contexts should be at the forefront of such activities.

- 3 There are a series of interlinked issues from this: the core or centre often sets the agenda for everywhere, as if every region had the same system-defining characteristics and technical relations throughout the economic and social environment. This can be leading to misguided analyses, actions and policies; the core directly or through guidance can impose or encourage solutions to non-problems, raising the question of who drives the agenda for such regions; the periphery is often coerced into adopting inappropriate approaches instead of finding its own way; contrary to this local solutions are often seen from the core as attacks on property rights with the community's demands to keep the area viable and inhabited counter to the centre's aspatial concerns.
- 4 There can be notable differences between gross and net impacts and returns in the peripheral and marginal region with high leakages out of the local economy. This makes detailed analyses of activities necessary in ways that would not apply to large metropolitan areas where the losses are minimised through local capture of spillovers.
- 5 Dynamic effects and cumulative causation often work to the detriment of the periphery and to the benefit of the core region and, through leakages from the former and inflows to the latter, with positive feedback effects dominating in both counter to the neoclassical economic equilibrium model.
- 6 Social capital within (bonding) and between (bridging) communities can be especially important in allaying some of the above effects but whilst many are orientated between core and periphery or between the city and its city-region, perhaps more needs to be done to promote active links within the community of peripheral and marginal regions in northern Europe. Networking and partnerships between these regions would allow learning and more effective dissemination of theories, practice and analysis within their arc of commonality.
- 7 In times when work–life balance is being revised, there is a benefit of redefining the respective roles and influence of the periphery and the core.
- 8 Successful role models from regions, their actors and analysts are required to promote the voice of the periphery and the marginal. This Working Group identified a niche for itself in that agenda and has established the www.pem-abo.net website to enhance it further.

Structure of the book

The rest of the chapters in this book are presented in three sections following this overview. This structure is deliberately planned to first continue to develop and explore the theoretical underpinnings of the processes creating and recreating peripherality in the north of Europe. **Chapter 2**, by Anne Lorentzen, discusses *The development of the periphery in the experience economy*, drawing on her established and new work on how economic processes and regeneration operate in the north of Denmark. Tassilo Herschell in **Chapter 3** reports on the research he and his own network undertake on 'virtual' regions under *Regionalisation and*

marginalisation: bridging old and new divisions in regional governance. As discussed above, in [Chapter 4](#) Mike Crone examines *Re-thinking 'peripherality' in a knowledge-intensive service-dominated economy*. Moving scale and geography, and in particular making the links between marginalisation in the periphery and in the urban core, Stephen Syrett looks at *Conceptualising marginalisation in cities and regions* in [Chapter 5](#). In [Chapter 6](#) Klaus Lindegaard addresses the issue of industrial organisation, and in particular clusters in northern Europe in *Dynamics of peripherality*. To complete this section, [Chapter 7](#) on *Nations and Regions in Northern Europe* by the editors sets the scene for the next section by exploring the basics of this dimension to the periphery, the geographical designation of this volume. It includes three interlinking explanatory aspects: direction, remoteness and a variety of geographical delimitations.

The third section again uses case studies of communities and regions in the peripheries and margins, here also focusing on the methods and empirical examples as a way of examining the reality and processes at work. [Chapter 8](#) picks up on the literature discussion earlier on regional innovation and looks at experiences in the Highlands of Scotland, based within a wider European programme of research, so Sara Davies, Rona Michie and Heidi Vironen ask *Can peripheral regions innovate?* In [Chapter 9](#), *Proximity and distributed innovations – innovations 'in the shadow of the clusters'*, Svein Bergum continues this theme by analysing telework and distributed innovation activities in remote areas, technological solutions often expected to overcome the distance and related aspects of the periphery. The rural aspects of the periphery are explored by Gary Bosworth in [Chapter 10](#) where he considers *Commercial counterurbanisation and the rural economy*. With a solid theoretical foundation, in [Chapter 11](#) Nikolina Fuduric maintains this focus on enterprise and business by reporting on *Entrepreneurship in the periphery: a resource perspective*. The following two chapters are based in the rural industries and their communities with Tor Arnesen *et al.* in [Chapter 12](#) looking at the interesting and fairly new phenomenon of *Transcending orthodoxy: the multi-house home, leisure and the transformation of core-periphery relations* where families own property in several locations – core and periphery. Addressing the challenges raised under different ownership patterns of land, a dimension of the economy and society that varies across the Northern Periphery and which informed many of the classic texts on underdevelopment, in [Chapter 13](#) George Callaghan, Mike Danson and Geoff Whittam report on their research on *Economic and enterprise development in community buy-outs*, particularly in the Highlands and Islands of Scotland. Progressing this theme, in [Chapter 14](#) Tor Arnesen and Erik Mönness analyse the specific farm tenure laws in Norway aimed at maintaining the population in the periphery, introducing a technical approach to *A domicile principle in farm policy: on farm settlement policy and experience in Norway*. Completing this section, and with an important topic but different methodology from the preceding presentations, in [Chapter 15](#) Meeri Brandum Granqvist asks *The political entrepreneur as an unconventional problem solver in a Northern Periphery*, a contribution that goes into a cross-border community to explore several issues of power in an environment of peripherality and marginalisation.

The final section of this volume, [Chapter 16](#), by the editors, returns to the initial concerns of the peripherality, marginality and, explicitly in this conclusion, borders. Entitled *Concluding and looking at the border*, this pulls together the different arguments and approaches, addresses the borders dimension and establishes the agenda for further work.

Note

- 1 There is no real equivalent word in the English language. What has been used is resilient.

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2 The development of the periphery in the experience economy

Anne Lorentzen

Industrial restructuring on a global scale redefines aims and conditions of development for peripheries as well as for core regions. While core regions successfully develop knowledge-based activities, other territories seem to be stuck between job losses in traditional industries on the one hand and weak potentials of embarking on knowledge-based activities on the other. Not being able to boost the local knowledge economy as an alternative to traditional manufacturing, what can such regions do? Some regions have started to compete as places of consumption. The focus of the efforts is to attract tourists and residents, and eventually business investment in emerging industries. What they do is to embark on the so-called 'experience economy'.

The overall question of this chapter is what the opportunities of peripheral places in the experience economy are. It is a conceptual chapter, with empirical illustration from the Northern Danish periphery. The chapter is divided into eight sections. The second section of the chapter recapitulates our knowledge of peripherality and proposes an understanding of this notion which is relative, dynamic, comprehensive as well as differentiated. The third section of the chapter digs into the contributions on experience, culture and leisure economies and proposes a broad understanding of the experience economy as mainly related to affluence and leisure. The fourth section takes a more detailed look at the role of place as a particular quality in the experience economy. The fifth section approaches the experience economy as a new techno-economic paradigm representing a window of opportunity for new actors and territories. The sixth section discusses the potentials of different types of peripheries for embarking on the experience economy. The seventh section exemplifies how a small peripheral city in Denmark has jumped through the window of opportunity by addressing and developing local resources in innovative ways. Finally, in the conclusion perspectives for other peripheries are drawn.

What is the periphery?

In a classic paper, Stöhr defines peripheral areas as 'areas of low accessibility to large-scale (national, continental, world wide) interaction centres regarding access to markets, to production factors (including technological innovation), to private

and public services, cultural facilities, to sources of social innovation and of economic and political power' (Stöhr, 1982). The implication of this definition of peripherality is that areas with better access to the locations of input materials and markets will be more productive, more competitive and consequently more successful than remote and isolated areas (Oinas, 2002; Spiekerman and Neubauer, 2002). Peripheral disadvantages can thus be summarised as high travel and transport costs and remoteness to centres of economic activity. Therefore peripheries show an absence of agglomeration advantages, low rates of entrepreneurship and innovation. Also the population will be sparse. The region will depend on primary industries, have a poorly developed infrastructure, little research and development and low political influence (Copus, 2001). Stöhr suggests that peripheral areas can exist at various geographic scales, but that they share the mentioned common characteristics (Stöhr, 1982). At every level this means that peripherality can be seen as *relative in terms of cost and time* of transportation and communication.

In development economics, peripherality is connected with structural patterns of the economy (Amin, 1977), with patterns of dominance and dependency on foreign powers and capital (Cardoso *et al.*, 1979), and with negative cumulative causation (Myrdal, 1957). In this understanding peripherality is being produced by mechanisms of exploitation of the periphery by the core. In accordance with this Stöhr (1982) suggests that both cores and peripheries are characterised by processes of spatial integration and differentiation on different levels. These processes take place on the economic, the socio-cultural, the political-administrative as well as on the environmental level. Both cores and peripheries are thus continuously being produced by different coexisting mechanisms. Some of these processes are external (exploitation and dominance), while others are internal to the areas. For example, there is a lack of dynamic clusters and support organisations, leading to a low level of innovation activities (Tödting and Trippel, 2005). Summing up, the situation of peripherality can be seen as *dynamic*. This also implies that their situation may change along with alterations on economic, political or other levels.

According to Ferrau and Lopes (2004: 54) the situation of peripherality can be described in terms of distance (to the centre), dependence (on the centre), difference (from the centre) and discourse (related to own destiny). These four dimensions can be detected in seven aspects: environment and landscape; settlement and demography; quality of life; human and social capital; economic profile; institutions and policy, and territorial integration. As a whole this so-called '4-D model' is a way to illustrate how and why the phenomenon of peripherality must be seen as highly *differentiated*. From this complexity, it further follows that there can be no simple economic determinism at play, and that institutions and policy, or rather a deliberate change of discourse, may represent a *potential escape* away from peripherality.

This distinction between core and periphery does not follow a rural-urban distinction. Today such a distinction is becoming increasingly difficult (Labrianidis, 2004: 4). Thus 'rural' or non-core areas include small and medium towns integrated into the agricultural context, manufacturing and tourism activities, and also coastal areas (Labrianidis, 2004: 5). Non-core, 'rural' or peripheral areas differ in

terms of accessibility, dynamism/innovativeness, economic performance and the role of agriculture in employment (Labrianidis, 2004: 9–11) among other things, as illustrated by the 4-D model.

Given this complexity, Stöhr's categorisation of peripheries into three types based on criteria of economic structure appears as too simple: primary producers in agriculture and mining respectively, and old industrial areas. Instead, Arzeni *et al.* (2002) and more recently Fuduric (2008) suggest a differentiation of peripheries into four groupings based on a combination of accessibility (distance) criteria with structural criteria (urban, industrial and rural development). According to these authors European peripheries can be divided grossly into 1) those near urban centres, 2) those that have natural, historical and leisure values 3) areas where agriculture is a dominant activity and 4) remote, distant areas with much migration flow.

In sum, peripherality is *relative* in terms of the cost and time it takes to connect with the core (distance). Peripherality is *dynamic* as it is produced through certain structures and linkages. Peripherality is also *complex*, combining economic with socio-cultural and discursive aspects. Peripheries are *differentiated*. Each periphery combines different aspects and fields of peripherality, making categorisation difficult. Generalisations should include distance, structural and political-cultural criteria. The four groups of Arzeni *et al.* (2002) seem promising as points of departure for the discussion of patterns of experience based development in different peripheries.

What is the experience economy

The phenomenon of the 'experience economy' has historic roots. There are many examples of entertainment as a field of both public investment (Forum Romanum) and as source of private income and profit (circus). Even places and whole societies have been developed based on this (like Las Vegas). Theories related to experience economy can be connected to the futurist Alvin Toffler (1970) who presented the idea that with the increasing wealth of the Western world people would have the possibility of demanding psychic satisfaction. The industrial response to this demand would be the emergence of a still-growing 'experience industry'. The products and services of the experience industry would be beauty, prestige, individualisation and enjoyment. This development is also reflected sociologically. People today tend to turn their lives into experience projects, implying an everyday life with an increasing focus on its aesthetic dimensions and enjoyment. This change represents the core of the 'experience society' (Schulze, 2005).

Pine and Gilmore (1999) more narrowly see experience offerings as a strategic opportunity for firms to strengthen their competitive position in the market. Firms may enhance their market position by applying particular experiences to their products and services. The success of a product depends on the positive memory of it which the customer keeps, which makes the customer-producer relationship the key to success. It is, according to the authors, possible to connect all products

and services with an experience in innovative and profitable ways. This is the core of the 'experience economy'.

'Leisure economics' investigates how the increase in income and leisure time leads to new forms of consumption. The increase in people's leisure time results from changes on several levels. In the OECD countries the number of annual working hours has been almost halved between 1870 and 1979 (Andersson and Andersson, 2006: 45). Demographic factors also contribute as in the advanced countries people are living ever longer and the birth rate has dropped, leaving more money in each household for leisure consumption (Andersson and Andersson, 2006). Incomes have grown steadily since 1870 at 2.3 per cent annually, and the share used for recreational consumption has grown from 8.1 per cent in 1975 to 10.3 per cent in 2002 (*ibid*: 42). Recreational goods and services represent luxury goods, which in economic terms is defined as goods with income elasticity greater than unity. This is the background for a dynamic market for entertainment and recreation, but also the reason why recreational branches are particularly vulnerable to economic conjunctures.

Related notions are 'the culture economy' and 'the creative economy'. 'The culture economy' denotes the increasing commodification of culture and the rapid expansion of particular culture industries. According to Scott (1997) the culture economy is represented by a complex group of products which includes, for example, services for tourists, theatre, advertisement, music, radio and television production, clothing and jewellery. The commercialisation of cultural heritage and the development of heritage industries aimed at entertaining customers and supplying them with all sorts of heritage merchandise is an expression of the culture economy (Meethan, 1996).

'The creative economy' is a notion which was launched by Howkins (2002). Creativity is the ability to generate something new. Creativity is different from innovation, which denotes the realisation in the market of a new idea (Nelson and Rosenberg, 1993). Howkin's argument is that today ideas for new creations serve as the point of departure for income and profit. According to Howkins it is particularly related to 15 industries (Howkins, 2002: 82ff). These are advertising, architecture, art, crafts, design, fashion, film, music, performing arts, publishing, research and development, software, toys and games, television and radio, and video games. There are considerable intersections between the two economies, and the difference is not primarily related to definition but to perspective. The culture industries provide society (not least 'the creative class' (Florida, 2005; 2002)) with culture, often with the state as a main player (Garnham, 2005). The 'creative industries' are defined according to the creative processes involved in their basically market oriented production. The creativity of the creative industries may serve as point of departure for innovation and growth in other industries (Hartley, 2005). Both notions have aroused great interest on different levels due to the hope that they will be able to fill the gap left by the traditional industries e.g. in Denmark in 2005 (Imagine, 2005a, 2005b, 2005c, 2005d, 2005e) in Europe (European Commission, 2008) and globally (UNCTAD, 2008).

The four notions (experience economy, leisure economy, culture economy, creative economy) vary in aim and scope. However, each of them contributes to substantiate the vision of Alvin Toffler about a future provision system for experiences in an affluent society. The notion of the experience economy has its focus on the customer or the consumer and his/her relation to the product or the service. The experience economy has got the leisure economy as its precondition, and the production of culture products and creative products as part of its basis. But the experience economy entails more than culture, games and fashion. Pleasurable (and marketable) experiences also have other sources such as sport, nature and gastronomy. In this sense of an overarching notion the experience economy will be used here. Informed by the research on the leisure economy and the creative class it can be argued that the development of the experience economy is determined by factors of affluence, lifestyle, leisure and demography. The European peripheries are part of this affluence and changing consumption pattern, and will be consumers of experience products. The question is if they are also going to be producers.

Experience products and place

In the experience economy, consumption and production need not always be co-located. A distinction can be made between manufactured and service-based experience products. Manufactured experience products are in principle footloose. This applies for products such as computer games, toys, books and video films. Service-based experience products do, like all services, require a simultaneity in production and consumption, which requires the presence of the consumer virtually or geographically. The consumer needs to attend the theatre play, the art exhibition or the sports event in order to consume it. Such products are ‘attendance based’ (Bærenholdt and Sundbo, 2007; Smidt-Jensen *et al.*, 2009), meaning that their consumption is place bound (Lorentzen, 2009).

In terms of production, the location factors of experience production equally differ. Many manufactured experience products (computer games, books, toys) require knowledge, creativity and more general conditions of production, widely comparable to knowledge production. Some experience products on the other hand draw on the particular experience resources of a place. Such resources could be the cultural heritage, natural environment, local tradition and expertise, like for example some local beers or the famous Læsøsalt. The resource is used in the narrative or the brand of the product. In service experience products, the specific location matters as in relation to restaurants, when not the meal, but the whole atmosphere of the restaurant is consumed as an experience, or not the music but the atmosphere of the theatre is the main experience. This means that the *place* matters in the experience economy. Place is integrated in the product as narrative, and it can be consumed as distinctive experience connected to the service. Further, places can be seen as hosts of experiences, and also as objects of experience consumption. Parks and stadia may serve as hosts for experiences like concerts and sports events. People consume places when they pay to visit historic or cultural

places, or when they pay high rents to live in attractive places (Glaeser *et al.*, 2001). This means that not only culture, but also places become commodified. Planners and developers change places to please particular publics, such as tourists or the creative class (Florida, 2002; Urry, 1995). Even otherwise footloose products may enhance their value by connecting to places, not only as narrative, but literally related to attendance. The establishment of experience places increases the interest of the consumers in products like toys (Gilmore and Pine, 2007) or watches (Crevoisier and Jeannerat, 2009; Kebir and Crevoisier, 2008). The best brand seems to be a flagship location signalling where in the world you are (Gilmore and Pine, 2007: 153).

Place-bound experience products can be categorised and analysed as in [Table 2.1](#).

The experience economy as a window of opportunity?

A dynamic and systemic approach is helpful for the analysis of the opportunities of the periphery in the experience economy. Such an approach is provided by Perez (2004; 1985). She regards the development of the economy as a sequence of waves, the point of departure of which is new technological key factors. During each wave a particular techno-economic paradigm evolves, characterised

Table 2.1 Typology of place bound experience products

<i>Spatial conditions of production</i>	<i>Production</i>	<i>Consumption</i>	<i>Examples</i>	<i>Resources</i>
<i>Product categories</i>				
Events	Global/local	Attendance based	Roskilde festival Salzburg Festspiele	Competencies Place Brand
Activities	Local	Attendance based	Hiking Shopping	Natural environment Urban quality
Services	Global/local	Attendance based	Hotels Restaurants	Competencies History Brand
Products	Local resources	Global/local	Beer Food	Local producers Local tradition Brand
Places	Local	Attendance based	National parks Theme parks Urban environment	Brand Quality of natural environment Urban qualities

by particular cost structures, investment and location factors, as well as particular institutional characteristics and geographies. Also the experience economy theorists Alvin Toffler (1970) and Pine and Gilmore (1999) apply systemic, if not dynamic, approaches. During a wave a particular techno-economic paradigm evolves, matures and stagnates, leaving windows of opportunity for new actors and new places to embark on the emerging paradigm. Even if the theory on techno-economic paradigms interprets long-term global economic developments, it may serve the comprehensive analysis of the experience economy. [Table 2.2](#) summarises the key characteristics of the industrial economy, the knowledge economy, and the experience economy (Lorentzen, 2009).¹

In the 'industrial economy' firms have clustered in cities in advanced regions in order to reduce costs by being proximate to markets, supplies and labour (Hayter, 1998), thus creating situations of dependence and marginalisation to non-core regions. From a consumption perspective, people located in cities in advanced

Table 2.2 The geography of techno-economic paradigms

<i>Techno-economic paradigm</i>	<i>The industrial economy</i>	<i>The knowledge economy</i>	<i>The experience economy</i>
<i>Dimension</i>			
Production/ location	Concentration in advanced regions	Concentration in metropolises of the advanced regions	Many locations in central and peripheral countries and regions
Consumption/ location	Concentration in advanced regions	Concentrated in metropolitan areas	Attractive places (big and small) in developed and less developed places
Globalisation	Separation and dispersion of production International trade Direct investment	Flow of knowledge, goods, people and capital between the metropolises of the advanced regions	Integration of different experience places in the global flow of information, people and money
Role of the centre	Advanced industrial production and services Research and development Decision-making	Knowledge production Research and development Decision-making	Magnet of inhabitants and visitors Big and specialised offer of experiences based on variety and history
Role of the periphery	Raw materials Simple industries Low cost labour	Simple industries Global services	Tourism-based growth Experiences based on authenticity and natural environment Activities, events

regions because they wanted to benefit from facilities and services, and to socialise (Glaeser *et al.*, 2001). In the 'knowledge economy' access to specialists, research and decision-making centres is an important location factor, which leads to the concentration of investment in very large metropolises (Simmie, 2003). This has implication for consumption, as specialists and the 'creative classes' tend to locate in very large cities with a varied offer of culture and interesting jobs (Florida, 2005, 2002; Scott, 2006). This means that the metropolises have been concentrating economic activities, reinforced by the intensified competition among cities (Brenner, 1998; Simmie, 2003; van den Berg *et al.*, 2004; van den Berg *et al.*, 2005). The development of the industrial and in particular the knowledge economy has produced peripheries, which have been integrated with the core by still better and cheaper communication and transportation technologies as producers of simple global manufacturing and services, leading to a disintegration of their own economies and societies.

In comparison there seems to be little doubt that the supply and consumption of culture is concentrated in culture capitals, world cities and metropolitan areas (Scott, 2006, 2004). The 'culture city' offers museums, galleries, theatres and concert halls (Evans, 2001), and centralisation is a precondition for the necessary economies of scale and the clustering of artists and experts to operate a high level offering of culture (Andersson and Andersson, 2006). The variety of the culture supply of big cities is attractive for citizens and tourists: the consumers.

However, it has been documented recently how small cities and peripheral places do produce events, activities, services, products and places. These experience-based offerings are often related to local culture and competences, heritage and authenticity (Bell and Jayne, 2006; Meethan, 1996; Wilks-Heeg and North, 2004). Different kinds of festivals have, for example, become a common tool in the 'glocalisation' of peripheral places in Scandinavia. Branding is another tool of local development (Frandsen *et al.*, 2005; Løkke, 2006). Urban regeneration of provincial cities is a third (Smidt-Jensen and Lorentzen, 2011). Peripheral places are deliberately being developed as experience places. This happens in a context of globalisation and high mobility, which allows peripheral places to become integrated in the global flow of people and money. In tourism, peripheries offer unique natural environments, the urban environment, local culture and lifestyle, and local competencies. Geographic and cultural distance, otherwise seen as a barrier for development, can even be turned into a resource in the experience economy in terms of 'authenticity' and 'tranquillity'. The homogenising effect of global trade and travel stimulated a search for local identities and diversity, thus making local or original lifestyles globally interesting, and place identity, newly constructed or negotiated as it may be, a resource in tourism (Kneafsey, 2000). Pre-industrial and rural lifestyles can no longer be seen as barriers to progress but as valuable cultural heritage, which could be turned into attractions and marketed (Ferrau and Lopes, 2004: 41–43). Massive environmental problems of big industrial cities make the outskirts of industrialisation advantageous in not being spoiled by pollution.

In a situation of high mobility tourists and citizens are further able to connect the different specialised experience offerings by moving from one place to the other (Romein, 2005). Not only ease of transportation, but also information and communication is of great importance in the global experience economy. Narratives must be developed and told, implying the development of a new discourse related to the place. The regions are part of an increasing global competition among experience supplying places, and a considerable creativity is needed to enter and stay on the 'global catwalk' (Löfgren, 2003).

The experience economy in the four peripheries

The more differentiated analysis of the potentials of the periphery in the experience economy takes its point of departure in the four categories of Arzeni *et al.* discussed above (Arzeni *et al.*, 2002).

Non-core regions near urban centres (type 1) may benefit from the proximity to facilities and amenities of this centre (education, research and development, transportation nodes to be used for travel, as well as the offer of high culture). They may also serve as attractive residential areas for the population working in the centre. Type (1) regions have the structural conditions for developing experience offerings of their own. The market in such regions is found among its own dwellers and among the dwellers of the nearby centre. The transportation node of the nearby urban centre may even enable people from other places to visit the experience offerings of the type (1) regions. Examples can be found near big cities in Scandinavia such as Roskilde near Copenhagen, Frederiksstad near Oslo, Frederikshavn near Aalborg or Nyköping near Stockholm. Some places applying to the criteria of type (1) regions do, however, also share characteristics with the type (2) regions.

Non-core regions with natural, historical and leisure values (type 2) hold the potential for experience offerings related to outdoor activities and recreation, and for 'heritage industries' and to traditional industries such as fishing, mining, dairy production, handicraft or art. Historic figures or historic events can also be celebrated. Skagen in Denmark exploits its natural beauty and the history of artist colonies, but also Hals, Sæby and Lønstrup in Northern Jutland market similar experience possibilities.

Non-core regions where agriculture is a dominant activity or type (3) regions possess the experience potential related to agriculture production and rural living. The market potential for experience offering is not mainly local, due to the sparse population in agricultural areas. The experience offering related to agriculture is directed towards tourists. Holidays on farms, visits to traditional producers of food products, or to workshops of craftsmen and artists preferring the isolated location in the countryside constitute the potential experience offering of such areas. Amusement parks may find their way to such regions, thus expanding the experience offering of the place. Outdoor events may take place there, as when Jean Michel Jarre in 2002 organised a performance for 50,000 people of electronic

music and light in the muddy fields of Tylstrup (Denmark) with windmills as the impressing scene.

Remote, distant areas with much migration flow or type (4) regions do not have an easy job embarking on the experience economy. Their own population is shrinking, and the region depends on neighbouring regions for jobs and income, education and infrastructure. Even theme parks face the difficulty of distance and low accessibility. However, remoteness can be turned into an attraction in terms of environmental quality and tranquility, making scope for outdoor leisure activities, recreation and wellness. One example is horse-riding in the marshes of southern Denmark. Such offerings will hardly develop to represent a substantial contribution to the local economy.

The implication of this analysis is that the peripheral regions differ considerably in terms of resources, accessibility and market potential for experience offerings. Thus local governments and private entrepreneurs face different challenges in each of the four non-core regions. Based on evidence from Southern Europe, Labrianidis finds that these differences even tend to increase towards marginalisation and abandonment of certain areas and a growing demand for 'nature' and 'rural heritage' in others (Labrianidis, 2004).

The example of Fredrikshavn

Frederikshavn municipality in Denmark combines the characteristics of a type (1) region with those of a type (2) region. The city of Frederikshavn has 23,600 inhabitants, while the municipality has 62,000 inhabitants. It is located in the north-east of Denmark, only 52 kilometres from Aalborg, the regional capital. The relative distance to Aalborg was reduced with the opening of the highway in October 1996 (Vejdirektoratet, 2004). A crisis in the late 1990s combined the decline of traditional industries with decline in the fishery due to new regulations, and the abolition of tax-free sales on ferry boats, implying a reduction of tourism. The city was, according to one municipal director, standing with its back against the wall (interview with technical director Michael Jentsch, 2007). The crisis spurred a gradual change of discourse from an industrial city to an experience city, and new, flexible planning methods were introduced, which enabled new actors into the planning process (Therkildsen, 2007; Therkildsen *et al.*, 2009).

Focus changed from employment, sports and industrial facilities towards leisure, urban qualities and branding. Both culture and environment were part of this strategy. In the beginning of the new phase large multipurpose stadia and a House of Arts were built. Later this was supplemented by a 'green energy city' strategy. The number of experience projects in Frederikshavn since 1998 is quite impressive. The urban space of the city has undergone considerable renovation, and a few innovative projects have helped branding and transforming the discourse of the city. One is the Palm Beach at the Kattegat coast, which was realised in 2004. The other is the all-year skiing facility south of the city, which was shelved after a long dispute.

Since the establishment of the new arenas, Frederikshavn has been able to host international events, and has done so with success. The visit of Bill Clinton in September 2006 went into history as the turning point of the city. The supply of classic and other concerts in Frederikshavn today attracts an audience from near and far, and the number of annual festivals has grown (film, rock music, light, historic). The local tourism industry is rather traditional, but a wellness hotel and three theme restaurants have seen the light of the day. A huge holiday resort is under development north of the city under the name of Palm City. Even traditional manufacturing branches are changing direction. Two firms have started to produce light equipment for big shows and have become world leaders in their field.

Projects were developed in public–private partnerships, and various funds and centres have been established as operational agencies for the development of the projects. Also new educations in experience-related services and management saw the light of day in the local business school and the local technical school. There is a strong institutional focus on young people. One project aims at mobilising the young as entrepreneurs, another to generate ideas of how to develop the city according to their preferences. Measurable results of the change are the following: in 2008 unemployment rates dropped to 1.7 per cent, only slightly over the Danish mean. Since 2005 population decrease has levelled out. The reputation of Frederikshavn in the Danish media has changed radically; the city has obtained the award of the ‘city of the youth 2007’, and people in the street are now proud of the city (Lorentzen, 2008; Lorentzen, 2011). However, by the end of 2009, after 11 years of experimenting with different aspects of the experience economy, the ‘window of opportunity’ seems to be closing due to the hardships following from the global crisis, and due to a local traditionalist political turn. However, the achievements stay, experience projects are now integrated in more traditional planning and policy, and the local economy is in a much better shape than in 1998, when it all started.

Conclusion

In a situation of affluence, the experience economy may represent a window of opportunity for peripheral regions, which can develop attendance based and place bound experience offerings for a global market of tourists and citizens, if they leave traditional production oriented discourses of planning and learn to turn locational weaknesses into strengths. Each periphery has got its particular combination of resources from where to start, and there are potentials related to developing mosaics of connected experience places into experience regions. Applying the typology developed by Arzeni *et al.* (2002) was shown to help in the analysis and understanding of the situation of a community, which was evolved from a declining industrial to an experience economy. Due to the high income elasticity of experience products it is not to be recommended to focus solely on experience economic strategies. However, achievements related to quality of place can also be regarded as modern welfare for the local population.

Note

- 1 These paradigms do not correspond to the ‘waves’ of Perez and others. They have been chosen here due to their distinctive economic geographies.

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3 Regionalisation and marginalisation

Bridging old and new divisions in regional governance

Tassilo Herrschel

Introduction: marginalities and peripheries – from the edge of territory to in-between lines of networks

The challenges of peripherality have been a recurring theme in discussions and policies on (economic) development, usually against the background of a concern about inequalities and the implication for the legitimacy of democratic governments (Diamond, 1992; Muller, 1988). The European Union's decades-old regional policy is a particularly high profile and potent illustration. There, peripherality, or marginality, have usually been geographically defined as edges of a territory, based on distance from a central core, and this has been projected as a negative condition that needs to be tackled by reaching out to the margins and reducing distance through improved communication lines (infrastructure projects). There are a number of examples of travel isochrones covering Europe as a means of showing 'reachability' (Dubois and Schürmann, 2009). By implication, these lines also point to the peripherality of places as those with low accessibility. It is in this context that the Nordic countries are frequently seen, from a metropolitan western European perspective, as 'on the edge' of the continent, as inherently peripheral. This includes a close association with rurality, sparseness of population and remoteness. Yet it also means a positive association with qualities such as being 'unspoilt' and offering 'escape' from urban hecticness and overcrowding.

Yet such edgeness is not the only form of peripherality and need not be merely a passive condition. Peripherality may also, as argued here, be actively created – whether intentionally or not. This may occur in the form of exclusions and marginalisations of actors through the ways in which policies and power are implemented and defined. Much of the recent discussions on governance and spatiality have argued for new forms of territoriality and associated forms and practices of governance: open, flexible, non-territorially defined, network based and informal. This means that inter-personal and inter-institutional linkages, be they power relationships, dependencies or mutual trust, gain in importance, leading to a dissection of conventional territoriality as contiguous, bounded spaces into linear corridors of preferred connectivity and thus relevance. In between these corridors of communication sit actors which are much less involved and thus find it more difficult to make their views heard and interests acknowledged.

They may even be actively shut out by those within the network in the interest of maintaining the status quo of power and influence. This peripherality as *in-betweenness*, rather than *edgeness*, which includes spatial as well as a-spatial dimensions, is at the centre of this chapter and will be examined subsequently.

This form of *in-between peripherality* through effective marginalisation has been developing in the wake of a growing emphasis on point-to-point linkages between actors, as, for instance, seen as characteristic of new regionalism (Keating, 1998; MacLeod, 2002). This contrasts with the conventional broader, spatial understanding, where actors are presumed distributed in a diffuse way across a territory, with a multitude of connections and connecting points, that leaves a potentially very fine mesh of the resulting network. The more localised the linkages become, that is fewer but more dominant nodes and connections, the bigger the mesh, and the more the diffuse actors may find themselves excluded from the more concentrated and selective network, with fewer relationships and nodes.

As part of such an effectively concentration process in favour of selected cores, rather than whole regions with no specific actors, cities and city regions have moved centre stage over the last years as part of a debate and policy of fostering national economic competitiveness (Cox, 1997; MacLeod, 2002; Porter, 2000; Raco, 1999; Swyngedouw, 2000, 2004). City regions in particular have attracted interest as platforms for new forms of governance with greater flexibility of policymaking alliances and diversity in the composition of actors (Faludi, 2003; Herrschel and Newman, 2002; Salet *et al.*, 2003). Through this, city regional governance seeks policy answers to territories where boundaries do not capture the whole functional space, but rather capture merely part of the economic development capacity. Territoriality is thus seen as less important than connectivity between actors with shared interests and purpose. Cooperation between local actors going beyond formal governmental-administrative structures and territorial boundaries of responsibilities is considered the essential mechanism to maintain such administratively virtual city regions. These are little more than a backdrop to a network of individualised (localised) and selective connections which by no means include all those places and actors that happen to find themselves embraced by that virtual region. It is no longer acting as a container, encompassing all those within its boundaries.

The concept of new regionalism (Cox, 1997; Whitehead, 2003) views such variability and flexibility as well as the loss of territoriality, as containing the necessary answer to globalisation-induced growing dynamics of change and thus pressures for greater territorial responsiveness. And it is here that hierarchically organised spatial governance, covering contiguous territories within set boundaries as containers for implemented policies, is increasingly replaced by network-building linear connections between actors – be they individuals or groups/institutions or localities. By their nature, the latter are much less stable, are more ad hoc and opportunistic and thus also variable and unpredictable. Policymaking space gets defined through linear relationships, rather than through boundaries drawn around contiguous spaces, where everyone belonging to that

space is presumed included in the relevant policy processes. Linear spaces, however, by their nature, differentiate sharply between those policymakers who sit (as nodes) on the very lines of connectivity, and those who find themselves between those lines. The latter find themselves bypassed by newly developing, and nationally supported, networks between the main city regions as nodes. As a result, the in-between areas find a more restricted access to, and participation in, policymaking networks and thus scope to impact on the formulation of policy agendas.

In effect, therefore, new peripheries and exclusions may be created, whether deliberate or not, and they may be within as well as between the core areas (city regions). They are thus variable in scale. These peripheries are not merely the result of geographic distance from a core in the sense of a distance decay relationship in a neo-classical explanation, but rather need to be also understood as the result of social relationships in a behavioural context. Here, communicative, participative distance to functional networks between policymaking actors matters, and thus the scope to participate in, and influence, decision making and outcomes. Marginality is thus not merely about infrastructure alone and the notion of 'getting to places', although this may have a role when it comes to enabling face-to-face contacts at an operational level.

Inevitably, such behaviour-defined, actor-network-based peripheries are by their nature less predictable and identifiable. They may be unpredictable and calculable and can change rapidly in response to changing personalities and thus inter-personal relationships/communication between members of networks. They are thus much more difficult to change and engineer when compared with the variable geographic distance, where building a motorway or high speed rail link or opening an airport is presented as an effective means of overcoming distance and thus marginalisation from development processes (Oosterhaven and Knaap, 2003). Such 'hard' infrastructure is relatively easy to deliver and allows politically effective highly visible big physical projects which can then be opened in a red-ribbon-cutting ceremony. On that basis, peripherality indices have been constructed to measure peripherality across the EU, for instance with reachability of places the main focus (Copus, 1999). Other, so-called soft infrastructure, such as skills, expertise, attitudes, place image and structural economic composition, is more difficult to manipulate. Making people and institutions communicate, work together, trust each other and become part of functional networks is yet more difficult to facilitate. The scale varies, too, embracing national, international (Alonso, 1991) and global (Wanmali and Islam, 1997) definitions of periphery.

This difference creates new, and manifests old, hierarchies of connectivity and access to, and relevance in, decision-making processes. What emerges is a number of networks that are constructed of variably intense linkages and connectivities; these also importantly reflect and realise, create and manifest differing reach and decision-making relevance by actors. Some of these may be well connected and thus central nodes by participating in different networks in the simultaneous pursuit of varying interests and agendas. These networks may be overlapping and overlaying, following variable geometries of engagement and prioritising. Some such actors, be they individuals, institutions or localities, may thus gain dominant,

key roles in an emerging hierarchy of these nodes within the networks. The density and intensity of such connections thus circumscribe such a node's centrality and therefore scope and relevance in shaping agendas and outcomes by being informed and involved and influential.

Analysing 'in-between marginality'

Figure 3.1 illustrates some of the variations in the meanings associated with 'marginality' or 'peripherality' respectively. There is a variety of associations with these terms. Despite that variety, two main groupings may be distinguished: peripherality as a spatial-technical dimension and as a social-psychological phenomenon. Whereas the former revolves around the understanding of a periphery as 'on the edge' of a contiguous area, the latter is more concerned with the linear connectivity between policymakers as part of a network and, as part of that, the crucial fact of being part of that communicative web, or not. If not, the relevant person, institution or locality falls in-between the network linkages and thus finds itself marginalised in the sense of excluded.

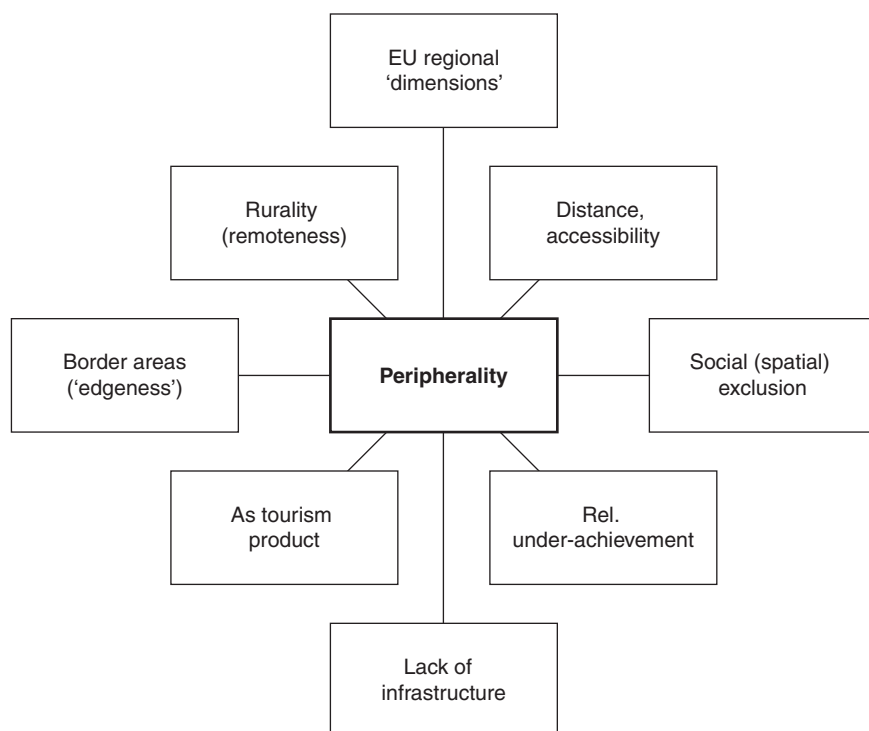


Figure 3.1 Types of peripherality and marginality

Within the category ‘on the edge peripherality’, the notion of rurality is probably the most immediate characteristic associated with it. The understanding is one of distance, difficulty in reaching and general physical disconnectedness from so-called core areas (Grimes, 2003), usually an urban or metropolitan kind. Accordingly, providing better physical infrastructure has become one of the main policy responses by governments concerned with reducing inequalities between different parts of a country in the interest of greater homogeneity and a sense of shared benefits from, usually, economic development. Accessibility is here largely seen as a direct function of a transport system and, this again, in the context of economic development and competitiveness (Keeble *et al.*, 1988).

This rationale has also underpinned the EU’s regional policy throughout its life with its continued emphasis on cohesion (Barry 2003; Hooghe, 1996). Investment provided for Ireland for the last 25 or so years illustrates this approach quite dramatically. Yet over time, this ‘technologically deterministic’ and ‘infrastructuralist’ approach gave way to greater concern with learning and human resources (‘learning regions’, Asheim, 2001), that is the indigenous capacity and resources of a territory and its population, rather than viewing it merely as a passive receptacle for centrally defined development policies. It is the ‘soft infrastructures which relate to networking, untraded interdependencies, social conventions and institutional thickness’ (Grimes, 2003: 176), and they point to the distribution and strength of connections between key actors and stakeholders. In other words, peripherality has been recognised as being more than mere geographic distance rather including *difference* in terms of skills, entrepreneurialism, policymaking capabilities, general human resources, or local ways of doing things. In some cases, this may lead to being less well connected to, or entirely disconnected from, the general development trajectory in a country, with urban areas portrayed as the antidote to them. They are projected as representing competitiveness, connectedness, outward looking and innovative policies.

But differing from that profile need not necessarily be a ‘bad thing’ per se, as not being metropolitan, rapid moving and connected may be viewed as a welcome alternative to, or reprieve from, the ‘buzzing’ life and competitive pressures in metropolitan areas, which may also appear less sustainable and offer a lesser quality of life. In that sense, *periphery* may appear in a positive, even desirable light and that is, indeed, how such spaces, including the Nordic countries, seek to project themselves as part of their marketing strategies to those in dense, competitive and metropolitan areas. Tourism in the Nordic countries seeks to benefit from playing to such perceptions when appealing to latent escapism among consumers (in urban areas), dreaming of ‘unspoilt nature’ and ‘wide open spaces’. Thus quite contrasting values, and policy responses, may be associated with peripherality: underachievement and laggardness in relation to an average value (Mack and Jacobsen, 1996).

Marginalities and peripherality embrace different operational and/or spatial scales. At the continental, EU-wide scale, macro-regions have been designated as virtual constructs, such as the Northern Dimension and Eastern Dimension (Makarychev, 2004). Although these are virtual ‘new regionalist’ constructs

(Herrschel, 2007, 2009), they are presented as a generalised way of depicting marginality in the EU – in relation to the main western European metropolitan core regions. Their characteristics are flexible (and invisible) boundaries, informal policy arrangements with emphasis on dialogue between the main actors in governance. They also include awareness of globalisation pressures and the need to find appropriate and effective responses that encourage ‘teaming up’ with other players. Yet, from an outside perspective, peripheries are less associated with policy innovation and own ways of responding. Instead, they are typically linked to disconnectedness and thus marginalisation from the main (‘standard’) developments by their inconvenient position (Makarychev, 2004: 300). In other words, the conventional view has been that of ‘laggards’ which need to be encouraged to ‘catch up’ with the core areas.

But these presumed laggards may well become active and design and pursue their own policy responses, based on their disconnected, peripheral condition and associated values, and agendas, and develop responses and do things their own way. This apparent difference between a perceived passive role of peripheries (=the external perspective) and an actual active role (if on their own terms) (=internal view) demonstrates the need to pay much more attention to the likelihood that policy goals and ambitions may have quite different foci, emphases and rationales within peripheral areas compared with outside (that is, the ‘cores’). Against this, Makarychev (2004) evokes the distinction between ‘hard’ and ‘soft’ regionalism, that is infrastructure-based accessibility and, in the wider sense, human resources respectively. The two dimensions are clearly connected and overlap. Yet this difference needs to be kept in mind when analysing and interpreting *marginality* and seeking to identify ‘effective’ policies. It is these own responses ‘out of the periphery’, however defined either as spatial or as social phenomena, that are of particular interest here and invite further investigation. In this respect, the understanding of periphery as social marginalisation, particularly as found in urban areas (Perlmann, 1975; Wacquant, 1996), offers an interesting dimension to the notion of periphery. Such social marginalisation has a distinct spatial (segregational) aspect to it, but it may just as well refer to exclusions of some groups from mainstream society per se (Pilkington and Johnson, 2003). Disconnection from the main economic developments may well translate into a clear and sustained spatial concentration of exclusion, representing, in Wacquant’s (1996) words, ‘advanced marginality’ of social deprivation.

Towards ‘composite peripherality’

As observed earlier, two main types of peripherality are distinguished here: area-based *edge of a territory*, and actor–network defined *in-betweenness*. The former has conventionally been established by measuring and comparing a set of spatially collected indicators to identify ‘underachievement’ in relation to an average value (Spiekermann and Neubauer, 2002). This reflects the understanding that such territories are subject to state policies which seek to reduce spatial inequalities in development opportunities by bringing ‘underperforming’ peripheries nearer to

an average value. The emphasis is thus on the spatial distribution of certain variables. It is the spatial (uneven) distribution that matters. Assessing network-based communication between individual persons and/or organisations is quite different from that. For one, there is the issue of confidentiality. Then, such links are by their nature private and temporary and therefore difficult to document. They also depend on key persons and/or organisations which may, of course, change. The task is thus the identification and tracing of connectivities, using information gathered for individual persons' and organisations' operations and communications (Marin and Mayntz, 1991; Rhodes and Marsh, 2006)

Social network analysis offers the opportunity to investigate the degree of centrality of different nodes, that is persons within a network, such as within a city (Scott, 1988). This is based on their connectivity, that is, the number and strength of connections. Conversely, peripheralised actors show fewer and weaker connections (Kolaczyk *et al.*, 2009). Such weakness takes into account 'amount of time [invested], emotional intensity, intimacy (mutual confiding) and reciprocal services' (Grabher, 2006: 176). Trust, reliability and dependability may be further adjectives associated with the quality of network linkages. In social network analysis, determining the importance of actors in a network has been a well-established concern (Wassermann and Faust, 1994). This, again, will, from a mathematical-sociological angle, lead on to the concept of the centrality of a vertex in a network (Kolaczyk *et al.*, 2009). In contrast to the use of the term here in this chapter, *betweenness* is understood by Kolaczyk *et al.* (2009) as the existence and intensity of relationships, perhaps in the sense of 'go-betweenness', while, here, it is about being positioned in-between (and thus excluded from) linear relationships.

Finding appropriate indices and measurements of the connectivity of nodes as expression of their centrality has become an important concern in social network analysis (Borgatti and Everett, 2006). And this extends to the consideration and evaluation of the coalition-building ability and capacity of the various nodes within such networks, which has been adopted as a strategy to raise their individual profiles and importance. These shifts mean, of course, that some will gain and some will lose influence – or they may remain excluded from the network as a result of its internal dynamics. The linkages within a network structure, the information flow, and the building of alliances and groupings have all attracted particular attention in studies on the internal dynamics of social networks, such as the formation and effectiveness of interest groups in political processes (Heaney and McClurg, 2009). Here, however, the focus is on those actors and agents that do not, or not much, participate in such groupings – either because of hurdles and limitations put in their ways as 'obstructions', or because of insufficient interest, awareness or capability on their behalf to join emerging networks and groupings. These variations may also depend on local context and conditions which predispose actors to follow different rationales and policymaking networking strategies: in peripheral areas, for instance, there may be different aspirations and strategies from those found among actors in core areas. And to establish this distinction in the operating environment for individual actor networks requires

employing conventional spatial analysis methods. And it is these different reasons and rationales for remaining in-between such groupings and networks that invite further research.

Actor–Network Theory (ANT) offers a framework for analysing connectivities between actors and the resulting network. It is in essence offering an original perspective: ‘a way of telling stories about networks of actors – both human and non-human’ (McBride, 2003) and how they relate to, and engage with, the distribution of technology. ANT has become a cross-disciplinary focus of study, with varying aspects taken by different disciplines. In geography, ANT has become closely associated with urban actor networks as expression of the centrality of cities as (mainly economic) nodes. It is this understanding that underpins much of current debates and policies on city-driven national economic development and competitiveness. And global cities have become the beacons of a top tier network (Albrechts and Mandelbaum, 2005; Beaverstock *et al.*, 2000; Castells, 2010; Taylor *et al.*, 2002). Yet there has been criticism of a temptation among ANT protagonists to simplify reality too much by seeking to reduce it to just *nodes* and *linkages*, leaving the wider conditions for forming such linkages largely out of the equation. But the distinction between *spaces of places* and *spaces of flows* (Blatter, 2004) has encouraged a growing debate on the nature of space, place and the process of formulating and operating policymaking and governance.

Peripherality is thus a more complex phenomenon than merely the conventional notion of being on the edge of a territory. Grabher (2006) points to the connection between the two concepts of peripherality – *place* and *flow* – that is the impact on inter-actor connectivities through variations in spatial economic competitiveness, when he refers to the forming of networks between economic sociology and economic geography. But he also points out that such linking is not a straightforward causal relationship driven by the variability of economic geography. For instance, a variation in globalness between localities alone does not necessarily translate directly into more centrality, and thus more influential and stronger networks and network connections. Conversely, a lack of globalness may be automatically interpreted as an expression of inward-looking localness which, in turn, suggests immediately marginality and thus weak ties to other players. Yet such direct causality is somewhat simplistic and has been questioned (Amin, 2002).

Nevertheless, irrespective of the particular nature of their relationship to each other, it is possible to distinguish two main dimensions of peripherality which intersect and interrelate (Table 3.1) and, in doing so, also shape each other:

- 1 Network-based in-between marginalisation refers to exclusions and thus marginalisations of actors, be they persons, institutions or places (as grouped local actors). Here, marginalisation is the result of being situated between the main corridors of communication (Herrschel, 2009), that is in the meshes of a network web. The reasons for this are diverse, including the impact of past experiences, personalities, established ways of doing things, local circumstances and, possibly, an exclusion (rejection) by other actors. The result

is a weaker engagement with policymaking actor networks, either because of limited capacity to link up, or because of defensive barriers around the network to protect its members from new entrants who may ‘disturb’ the existing balance of power.

- 2 Conventional spatial peripherality of places as the backdrop to actor engagement, shaping their ambitions, interests, priorities and expertise. This form of on-the-edge peripherality also has a distinct external dimension to it, that is the degree to which localities or regions are perceived by those *outside* (that is those in the core areas) as peripheral and thus ‘advantageous’ to engage with. This, in turn, may well curtail their scope to step out of such peripheralisation. Situated in such contextual spatial peripherality, some actors may be more astute than others in a similar situation to nevertheless engage with other actors and actively participate in policymaking networks.

Differences in actors’ responses to their relative geographic location lead to varying combinations between *on-the-edge* and *in-between peripherality*, leading to *composite peripherality*, as shown in [Table 3.1](#). In the case of the two types of peripherality overlapping (downward spiral), the result could well be a vicious circle of continuously mutually reinforcing peripheralisation. Resulting policy decisions are likely to reflect that. And this would seem very much a scenario to investigate. What measures could be effective to overcome such a downward spiral?

Combining in-between and on-the-edge peripherality

Conventionally, peripherality has been understood in a spatial context, usually in the context of core-periphery models and here variable (uneven) economic

Table 3.1 Composite peripherality as combination of spatial peripherality (‘edgeness’) and network-shaped peripherality (‘in-betweenness’)

		<i>Spatial peripherality (‘edgeness’)</i>	
		High	Low
Network-shaped peripherality (‘in-betweenness’)	High	‘Downward spiral’: least connected, combines spatial and social peripherality, danger of downward spiral of marginalisation	‘Passive’: centrally located but not capable to connect well – excluded? Lethargic? Discouraged?
	Low	‘Held back’: spatial ‘on the edge’ peripherality (externally perceived?) with good network-based connectivity. Suggests initiative and capacity within ‘periphery’	‘Advantaged’: highly connected, ‘strong’ links, important node in network, sought after node and network

development. Peripheries have thus become associated with marginality, that is being found on the edge of contiguous spaces, where ‘edge’ is understood as remoteness and distance from central nodes. This concept has underpinned established spatial development policies with their focus on managing perceived disadvantages of an area, especially distance as economic cost, expressed through transport costs and derived peripherality indices (Combes and Lafourcade, 2005). Changes here, especially the rapidly growing role and reach of low cost flights, as well as the development of the Trans-European Network (TEN) of high-speed railway lines, have already altered the degree of peripherality in many instances, or are destined to do so in the future. Yet both connectivities are strictly linear, linked into networks of varying mesh sizes, and highly selective in their localised de-peripheralising effect. The now expansive trans-European route network of the airline Ryanair illustrates this change quite dramatically. Preferring for cost reasons to fly to little-known second and third tier airports, often former military airstrips, it has connected many small provincial places to an international flight network. Yet many of these places serve as little more than transit points for the ultimate destination for passengers in the more or less nearby, more widely known city or tourist region. In the Nordic context, examples include the small town of Torp in southern Norway as ‘gateway’ to Oslo, the equally small town of Västerås in Sweden for Stockholm or, although of a less stark contrast, Tampere for the final destination of Helsinki. And if we include Scotland, the town of Prestwick serves as access point to Glasgow. Yet questions arise about the benefits obtained by those ‘gateway’ places. Most passengers move on straight after arrival on dedicated direct coach services to their final ‘real’ destination. Only few venture into the small places which gave the airports their names, persevering with often less readily available transport links. In those cases, the impression of connectivity by these places gained from the Ryanair route map does not necessarily correspond to a genuine step out of peripherality into the real world.

The notion of peripherality, and how to address it, may thus appear less clear cut than initially assumed. In most instances, it is associated with distance decay, that is geographic distance from a presumed core/centre, i.e. remoteness or edginess, that is being on the edge of an area in relation to its centre, often expressed by indices of peripherality (Copus, 1999; Schürmann and Talaat, 2000). Peripherality as *in-betweenness*, by contrast, reflects more the notion of ‘being left out’, being excluded or pushed aside. This implies that something can be done about that, a response strategy found through individual actors’ initiatives and/or characteristics and abilities. Copus (2001) terms this ‘aspatial peripherality’. Aspatiality contrasts here with the conventional geographic understanding, although there are conceptual, virtual and network-defined spaces as well. The term *in-between peripherality*, as suggested here, tries to reflect the patchy nature of the mesh defined by the network linkages and connections, and offering varying points of reference for defining ‘peripheral’ or ‘marginal’ as a relative quality.

Connectivity through physical infrastructure effectively manifests and perpetuates the status quo of who is ‘in’ and who is ‘out’ of the competition for achieving better economic opportunity and development. This works through both actual costs of distance, as well as the *perception* of being too far away, too peripheral.

And spatial peripherality also translates into functional political peripherality with its impact on the nature of local agendas, the composition and relevance of actors, the quality, reach and effectiveness of alliances, and the types and creativity of networks. The growing importance of such non-spatial factors requires (Copus, 2001) revisiting existing concepts and presumptions of peripherality, which were based on a spatial paradigm of remoteness and centrality as expressions of economic opportunity, or the lack of it. Given such unevenness in likely scope and opportunity, even within the same socio-political and economic system of a locality or region, questions arise about potential response strategies by those finding themselves marginalised by belonging to an *in-between periphery*. How do their response strategies compare to those developed in the centres or, indeed, those on the edge of geographic spaces? Against this dual nature of peripherality, can the twin process of spatially economic separation (potentially disintegration), and coordination, even re-integration of spaces and actors, be brought together and, indeed, co-exist as the basis of economically and socio-politically sustainable regional development?

Networks and their characteristics and functioning have attracted attention from both sociologists and economists, although the two address the topic from quite different ends. While economists have focused on networks from a strategic, managerial business perspective, driven by an economic rationality, sociologists have focused more on the personality factor and the circumstance within which actors are situated and, subsequently, make their decisions (Burger and Buskens, 2009). As Couldry (2006:101) points out, 'entities (whether human or institutional) within those networks acquire power through the number, extensiveness and stability of the connections routed through them and through not much else'. Paraphrasing Amin and Thrift's (1995) term of 'institutional thickness', perhaps we could refer here to 'communicative thickness'. Communication links – physical and personal – are actor dependent and emerge historically.

Networks depend in their impact on the power, influence and effectiveness of those using it and, in return, circumscribe an actor's scope for effective policymaking. There has been some discussion of the essence of an actor network, focusing on the one hand on its integrated, systemic, organising/organised nature (Silverstone, 1994) and, on the other, its more open, ad hoc and personality-based sociological characteristics as an inter-personal network (Law, 1999). This reflects a differing focus on the main dimensions of the underlying ad hoc nature of networks, which changes with the characteristics, *modi operandi* and objectives of the participating members. Their agendas, at a particular time, are thus expected to shape the network which, in turn, will circumscribe scope and likely agendas for the actors. The question then is: how responsive to changing conditions and circumstance a network is and can be, and what scope there is for actors to join or leave in response to their changing objectives, priorities and conditions. Will those shaping the network allow newcomers, be they places, individuals or institutions, to join and, potentially, 'upset' the established balance of power and ways of doing things within it?

With attention aimed at strength and relevance of linkages in informal (network-based) relationships in governance (Kantor, 2008), it is the societal-political dimension of projecting and reconfirming perceptions and realities of core and margin that needs to be considered as well. And that includes communicative distance – actual and/or perceived – between actors. These are not necessarily (only) a direct function of geographic distance, but also of organisational arrangements, political affinities and personal and institutional cultures and practices. The resulting ‘geographies of centrality and marginality’ (Paasi, 2006: 194) thus seem to be inherently composite of spatial-economic *edgeness* and network-linear *in-betweenness*. Their combined effect will create new, and reinforce old, inequalities and divisions, inclusions and exclusions, in relation to identified centralities, be they spaces or network linkages.

Regions, peripherality and spaces between flows

Conventionally, regions have been part of a hierarchy of clearly bounded territories (Leitner, 1997; Leitner *et al.*, 2002; Paasi, 2002). More recently, regions have increasingly become associated also with less formalised alliances around actor networks (Clegg, 1997) which were brought together by shared policy objectives at a particular time (Herrschel, 2005, 2009). In this ‘new’, less territorially fixed understanding of sub-national regionalism, economic pressures continue to be seen as the main drivers of these changes, pushing for flexible responses through variable horizontal cooperation between localities, institutions, administrative departments and individual policymakers. Yet it still does not seem entirely clear whether, following actor network reasoning (Lagendijk and Cornford, 2000), actors are also shaped by their very own actions in their ways of relating and responding. This could mean both a further (defensive) entrenchment in set ways by established groupings and networks vis-à-vis emerging new players on the policymaking arena, in a bid to preserve influence. This could include a defensive attitude by peripheralised actors seeking to ‘gang up’ on core actors as opponents. Or, alternatively, it could mean positive engagement with emergent new players, as well as players of differing centrality and importance, in the search for new ways of defining and implementing specific policy agendas.

Some twenty years ago, Castells (1989) and, shortly afterwards, Sassen (1991) argued that cities and city regions had gained a new strategic role in a globalisation and knowledge-driven ‘new spatial logic’, first and foremost revolving around economic development. This ‘new logic’ includes dynamic, continuous change, lesser importance of administrative spatial entities, variable collaborative arrangements as drivers of economic and political (and social) spatialities and a growing reliance on communicative social-political networks and connections. Yet the relationship between these nodes and the ‘rest’ in-between them, as part of a ‘background space’, is not quite clear.

This differentiation between ‘cores’ and ‘the rest’ was implied by Castells (1996), when he refers to the contrast between the new concept of regions and city regions as dynamic and inherently distinct and selective ‘spaces of flows’.

These contrast with the conventional perception of territory as contiguous, static space containing numerous, difficult to distinguish, places. There is thus a shift from understanding territory as a fixed, static localisation of places to the notion of spaces being variably defined also as *in-betweens* in a networked arrangement. The picture is thus of linear spaces that matter and stand out in relevance, and 'the rest' in-between, that may do much less so. A few years later, adding to that notion of an effectively discriminatory, highly selective and essentially elitist spatial development, Taylor (2004) shows that the proclaimed World City Network as top level international aspatial network *per definitionem* focuses on a few big metropolitan nodes only, relegating the rest to relatively more peripheral 'also rans' in the background.

The search for new forms of collaborative, flexible and network-based and usually, but not necessarily, non-institutionalised, *ad hoc* regionalisation may well entrench old, and create new, exclusions and marginalisations. While on the one hand such a new regionalist (Keating, 1998; MacLeod, 2002) trend may help to boost economic competitiveness through the improved international visibility of jointly marketed economic spaces, it does not necessarily do so for all places and actors contained within these. Nor will it grant all of them the same degree of influence on policy proceedings. This, of course, may well raise questions of legitimacy, where, for instance, some local electorates find themselves more effectively and visibly represented at the regional level than others. The quality of connectivities will therefore define the degree to which individual actors (places, organisations, individuals) are able to attach themselves to such a 'virtual region' (Herrschel, 2009), and participate in its policies. In the context of democratic systems, this is a crucial concern. The likely repercussions of any unevenness in relevance and representativeness (in the sense of 'having a say') on the degree of acceptance of, and support for, forms of collaborative arrangements and network-defined policies are quite obvious.

The, effectively, virtual nature of network-circumscribed spaces of governance (Allen *et al.*, 1998; Heeg *et al.*, 2003; Herrschel, 2007, 2009) in principle permits actors to join and leave without having to surrender powers or being tied in institutionally with high exit barriers. Kantor (2008) refers to such more open and, importantly, not permanently binding, arrangements as 'coordination'. Their main feature is an absence of 'formalized alliances and programs' (p. 114), and the underlying driver is essentially self-interest, the pursuit of which makes collaborative policy coordination seem opportune at the time, but may not at another. It is the 'tacit recognition [by actors] of mutual governmental interests that become institutionalised to sustain patterns of policy convergence', without, so Kantor (2008: 115) continues, the costliness of forging formalised political arrangements which may, of course, soon be overtaken by the dynamism of economic development. Such virtual region building is entirely pragmatic and goal driven, without any need for institutional rearrangements which are often too cumbersome in their development to be adequately responsive and may well lead to the emergence of new entrenchments and thus loss of responsiveness and, ultimately, relevance. Yet, by the same token, there are high demands placed on the personal,

institutional or general local ability to shape, join or create policy connectivities, including more complex networks. Failing to do so will result in marginalisation through *de facto* exclusion from policymaking processes.

The degree to which shared and agreed policy agendas can bundle otherwise diverse actor interests and formulate, coordinate and collaboratively implement them, is significantly shaped by macro-political (that is primarily national) contexts (Kantor, 2008). This includes the scope for such *ad hoc* 'competitive networks' to be built. Within the European Union, the varying arrangements among member states for sub-national governance provide differing operational scope for the development of, and effective policymaking by, city-regional networks. The playing field for making governance part of the competitive agenda is therefore not necessarily even, varying between an emphasis on more top-down directed conventional regionalism and a stronger bottom-up form of locally defined collaborative regionalisation. At EU level, policy agendas try to achieve both, as is evident from the ESDP (1999). This attempts to combine 'container perspective' regions, which are contiguous territorial entities with linear-defined, fragmented and non-contiguous virtual regions which embrace individual networks. Thus, while it advocates a more balanced spatial development prospect, it also seeks to foster dynamic and competitive cities and city regions and thus implies the need for accepting clear inequalities in opportunity between the nodes and corridors of preferred communication on the one hand, and the rest in between those, on the other.

The *Dimensions* created by the EU, including the Nordic Dimension, are a further example of this attempt of marrying a virtual, policy network-based, here supra-national, form of regionalisation, to more conventional perceptions and concepts underpinning EU regional policy agendas. The Baltic Sea Region is another such network-based space, with the Baltic Sea as such giving a geographic focus and reality, while the collaborative regionalisation process *per se* occurs at the policy-specific level between varying sized groups of countries (Jaakson, 2000). A growing focus on network- rather than territory-based policy-making can also be found at the national level. So it may not come as a surprise to find urban networks increasingly dominating the policy agenda and debate, such as the United Kingdom's core cities network, the Europe-wide urban network, or CITYNET, an Asian regional urban network established to address shared challenges of rapid urbanisation. In Britain, the Core Cities Initiative suggests an ongoing belief in rather more elitist structures with few but highly competitive, internationally connected urban nodes dominating economic policy towards greater competitiveness. Being widely *connected*, and being seen to be so, has become an expression of success and relevance in shaping the path for future development. But the other side of the coin means that the slightly 'lesser' cities, and the smaller cities and towns find themselves largely by-passed by these avenues of international and influential connectivity. They need to rely on secondary spin-off effects which may or may not materialise and, if they do eventually, may take a long time for that. These concerns have been made quite clear in a recent paper by CEDOS (Chief Economic Development Officers' Society, 2007).

A recent Nordregio Report (Baldersheim *et al.*, 2009) argues for the growing emergence of a ‘network regionalism’ with a more collaborative *modus operandi*, increasingly replacing the much more competitiveness-driven new regionalism. How far such developments can be interpreted, as a shift to yet another type of regionalism, remains to be seen. The picture seems to be more complex and even ‘messy’, with different *modi operandi* overlapping and being pursued simultaneously across actors, driven by the perceived ‘best effectiveness’ of the different approaches *vis-à-vis* set policy agendas and circumstances. The outcome may be composite peripherality, resulting from the different overlappings between spatial and network-based marginalities (see [Table 3.1](#)).

Conclusions: network regions and peripheries: composite peripherality of edgeness and in-betweenness

Concern about economic (global) competitiveness drives an increasingly localised city-focused policy agenda at national and European Union levels. This, in turn, threatens a dissolution of wider policy spaces, such as regions, in favour of more narrowly defined network constructs. The nature of networks places emphasis on narrow, inherently linear operating linkages between nodes (actors), rather than encompassing two-dimensional territories. Scope to belong to a *network* as a strategic objective is quite different from the, so far, much more spatially driven and less differentiating territorially based approach, where the location of an individual actor in an area also means automatically belonging to it. In contrast, by their very nature, networks cannot cover a space contiguously. Instead, they subdivide a space into separate *corridors of connectivity*, separated by ‘left out’ areas in-between. These *in-between spaces*, their size and number depending on the density of actor node connections between them, reflect new, or reinforce old, divisions between the ‘included’ and ‘excluded’. And this, again, creates new marginalities on the basis of varying access to power structures, policymaking processes and agenda-setting possibilities. Geography, of course, continues to matter, as it circumscribes developmental prospects *per se*, whether economy or environment, for instance. But there are further, more detailed, sharper differentiations that operate on top of these through socio-political relationships and linkages, and create variable and potentially volatile and unpredictable inclusions and exclusions as a result of actor-based communication links. While physical infrastructure in its varying presence immediately translates into a public perception of difference in accessibility – usually expressed as distance costs (Copus, 2001) – social-political connectivities are much less obvious. They are thus more difficult to gauge and predict in their likely impact and thus respond to through regional policies, for instance. While physical infrastructure can be modified through investment, thus altering perceptions of distance and thus marginality (Paez, 2004), connectivities between political and economic actors are much more difficult to influence and observe. In contrast to physical infrastructure, they may also seek to actively protect the status quo with all its inclusions and exclusions, as they may suit the incumbents’ agendas. Other actors – places, organisations,

individuals – may thus find it difficult to join, so as not to upset the existing relationships and balances of power negotiated between those actors who are already part of the network. Different strategies may thus be required for new entrants to join existing networks and thus overcome their exclusion from, and marginality to, them. The overlapping and intersection of spatially based and actor network-based peripherality leads to, what is introduced here as, *composite peripherality*. Depending on the specific combination, actors may find themselves in a potentially more advantageous situation – such as when there is a lesser degree of spatial peripherality, placing the onus on their ability to connect. Or, if spatially marginalised by being *on the edge*, the scope for individual actors to step out of that marginality may be much more restricted, even going beyond their realistic possibilities. These differences require further, detailed study to gain a better understanding of response strategies, mechanisms and roles under these different scenarios of *composite peripherality*. This includes assessing the capabilities of different types of actors to move between, and join/establish new, networks to pursue their goals. What type of actor is more likely to lead, what to follow by seeking to join (and fit in with) existing actor networks? How do they act under differing external conditions of spatial peripherality? How much of an impact on actor responses does ‘being on the spatial edge’ have? Who tends to be more cooperative and who more competitive? And how important are the scales of operation and ambition?

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4 Re-thinking ‘peripherality’ in the context of a knowledge-intensive, service-dominated economy

Mike Crone

Introduction

There has been a long-standing interest in peripherality and its economic implications among policy-makers in the European Union (e.g. Keeble *et al.*, 1988; European Commission, 2001). This mainly conceptual chapter aims to re-consider the meaning and implications of peripherality in the context of a contemporary European economy where service activities have become more important and competition is said to have become more knowledge-based. It seeks to assess the consequences of recent changes in the realms of business, work, travel and technology for the predicament of regions traditionally regarded as ‘peripheral’, and for the competitiveness of the firms in these regions. In doing so, it brings together two areas of literature that have been hitherto disconnected, namely research on peripherality and peripheral regions and research on the spatiality of knowledge-intensive business services (KIBS) – a group of activities that epitomise key aspects of the contemporary knowledge-intensive, service-dominated economy. This is a novel line of inquiry because previous research on (economic aspects of) peripherality in Europe has tended to overlook ‘tradable’ service sectors, and because prior research on KIBS has typically focused on ‘core’ and densely populated urban economies, whilst neglecting more peripheral economies and the service firms located therein (Hermelin and Rusten, 2007).

An underlying premise of this chapter is that the shift towards a more knowledge-intensive, service-dominated economy necessitates a re-appraisal of the meaning and implications of ‘peripherality’. Established (economic) understandings of peripherality have tended to focus on the fact that firms in peripheral regions are disadvantaged by higher (distance and time-related) costs associated with the transportation of physical goods (e.g. raw materials, agricultural produce or manufactures) to core European markets (e.g. Keeble *et al.*, 1982; Keeble *et al.*, 1988). However, the continuing relevance of this work must be questioned as a result of changes in economic structure – notably the ‘rise of services’ – and also because of improvements in transportation (e.g. better road and rail infrastructure, declining transport costs, and the rise of air travel) and, possibly, advances in information and communication technologies (ICT) (Copus, 2001). In fact, these various changes have led some economists to call for a wholesale re-appraisal

of industrial location theory due to dramatic changes in the spatial transaction costs facing modern firms (McCann and Shepherd, 2003; Glaeser and Kohlhase, 2004). Thus, taking the example of KIBS activities, it is pertinent to ask: in what ‘sense’ should a location now be regarded as peripheral? Which places should be considered part of the periphery? And what competitive disadvantages (and advantages) does a peripheral location confer on individual firms/actors? These questions have clear policy relevance. For example, policy-makers in Europe’s ‘north-western periphery’ (e.g. Northern Ireland, Irish Republic) have shown increasing interest in ‘tradable services’ as they struggle to reposition their economies in the face of international economic and corporate restructuring (Enterprise Ireland, 2008; DETI, 2009) but they need to develop a better understanding of the possibilities and limitations for KIBS development in their regions.

As a first step in attempting to address some of the issues outlined above, this chapter starts by reviewing the meaning and prior usage of the term of ‘peripherality’ – particularly in relation to economic development – and by articulating a multi-dimensional understanding of the concept. The meaning and implications of peripherality in the specific context of knowledge-intensive business services (KIBS) is then explored and reconsidered. The tradability of services, recent work on ‘temporary geographical proximity’ and the potential role of virtual accessibility (via ICT) are all discussed before a tentative continuum of peripherality in KIBS is proposed. The chapter concludes by outlining some themes for future research on peripherality and KIBS.

Peripherality: bringing a fuzzy concept into focus

Peripherality could be described as a ‘fuzzy concept’ since it arguably lacks clarity, is difficult to operationalise and possesses multiple meanings (Markusen, 1999). Notably, many empirical articles in the field of regional studies have employed the description ‘peripheral region’ without adequately specifying what is understood by this label; i.e. in what ‘sense’ particular regions are peripheral? This section deconstructs and seeks to define the term and (selectively) reviews its prior usage, particularly in relation to economic development. A multi-faceted understanding of peripherality, suitable for this chapter’s aims, and potentially more widely, is developed and articulated.

As a starting point, it is argued here that ‘peripheral’ and ‘peripherality’ must be understood – at least within regional studies and related fields – as *fundamentally geographical* terms, since attempts to broaden their scope beyond the geographical (e.g. ‘aspatial peripherality’ after Copus, 2001) risk contributing to the fuzziness of the concept. This geographical interpretation is consistent with most prior usage in regional studies and related fields (see below). In seeking to develop an understanding of the terms periphery, peripheral and peripherality, Danson and de Souza (2012) present a list of synonyms and antonyms including: distant, fringing, hinterland, remote, ‘non-core’ (synonyms) and core, centre/central, accessible, middle (antonyms). Most of these synonyms and antonyms support the geographical interpretation suggested above. They also imply that

peripherality should be regarded as an inherently *relational concept*, in that 'the periphery' must be defined in relation to something else (i.e. 'the core' or 'centre') and in the sense that 'peripherality' as a condition is characterised or constituted by relations (between the core and the periphery). Further, this relational character of core and periphery is implicitly characterised by *connotations of power and/or inequality*; for example, Anderson (2000: 92) suggests "the periphery is best understood as a subordinate of the core".

These facets of peripherality have, of course, been recurrent themes in regional economic analysis and economic geography over many decades. For example, the idea of core and periphery is present (either explicitly or implicitly) in both classical models of economic growth and land use – such as Alonso's (1964) theory of urban land use or Myrdal's (1957) cumulative causation – and in structuralist and political-economic perspectives on uneven development – such as Wallerstein's (1974) world systems theory or Massey's (1984) spatial divisions of labour. Reflection on these studies reveals a fourth important facet of peripherality, namely its *multi-scalar* nature; whilst Alonso's work suggests a core-periphery gradient at the urban scale, Myrdal's focuses on the inter-regional or national scale, and Wallerstein's analysis identifies core, semi-periphery and periphery within the world economy.

Some prior work on peripherality has attempted to identify *different types of peripheries* – for example, rural/agricultural, declining industrial or sparsely populated peripheries (see Fuduric, 2012). Although this typology approach may be helpful in certain practical contexts – such as attempts to examine a region's endogenous resources for entrepreneurship or tourism – it does not provide a robust basis for defining the concept of peripherality. The problem here is the focus on visible characteristics of regions, which may or may not be causally linked to their peripherality. Hence, there is a need to clearly distinguish between the condition of peripherality, its observable consequences/impacts and other features of 'peripheral regions' that are not directly (causally) related to peripherality. Here, Copus (2001) provides a useful distinction between three sets of elements: 'causal', 'contingent' (influenced by the causal elements) and 'associated' (associated with peripherality but not clearly linked to causal elements). From a definitional point of view, it is the causal elements that are crucial. Copus identifies *two causal elements* of peripherality, as follows: (1) increased travel and transport costs (expressed either in financial or time penalty terms) resulting from remoteness relative to the main centres of population and economic activity; (2) the absence of agglomerative advantages enjoyed by less remote (i.e. 'core') locations.

When it comes to moving beyond the theoretical towards more practical considerations, operationalisation or application of the concept of 'peripherality' inevitably raises the issues of measurement (peripheral to what? how peripheral?) and impact (how and for whom does peripherality matter?). Classical accessibility studies within Europe have been primarily concerned with the first causal element of peripherality identified by Copus (2001); i.e. greater travel and transport costs associated with remoteness or inaccessibility from centres of economic

activity. Thus, peripherality has been seen as synonymous with relative (integral) accessibility to some measure of economic mass (e.g. Gross Domestic Product) or population, where accessibility is the ‘product’ of transportation systems (e.g. Keeble *et al.*, 1982, 1988; Spiekermann and Neubauer, 2002). The resulting accessibility indices attempt to measure the relative peripherality of various regions in terms of their ‘market potential’. The practical utility of these exercises is open to question though. In a study of the impact of a peripheral location for manufactured goods with a low value-to-weight ratio, the focus on the costs of transporting goods by road to ‘core’ markets from peripheral regions may well be appropriate. However, in a study of ‘traded’ professional services, for example, it might make more sense to focus on the constraints imposed by ‘daily accessibility’ (via high-speed rail or air) at the level of the individual (Vickerman *et al.*, 1999). These arguments suggest peripherality must be seen as a *context-dependent* condition that matters in the sense that it has *consequences for (impacts on) particular types of actor*; e.g. firms or individuals engaged in specific types of economic activity.

The second of Copus’ (2001) two elements of peripherality (the absence of agglomerative advantages) has arguably been given less detailed consideration in literature on peripherality – perhaps due to the focus on ‘measurable’ costs associated with the transportation of physical goods or an outdated, manufacturing-centric view of the economy. Here, Keeble (1976) usefully observes that a potentially significant disadvantage of a peripheral/inaccessible location concerns the difficulties this poses for maintaining beneficial close and frequent face-to-face contact with customers, suppliers and various professional services (in the dominant of a central region). Keeble’s analysis also emphasises the privileged access to rich information and knowledge sources enjoyed by firms located in a dominant metropolis (‘core’ region), a point echoed in recent work on ‘buzz’ and the urban economy (e.g. Storper and Venables, 2004). These *interaction and information-related disadvantages of peripherality* are likely to be increasingly important in today’s knowledge-driven economy and deserve greater attention in future research.

A final notable facet of peripherality that deserves attention is its *temporality*. It is evident that peripherality is dynamic (i.e. it may change over time); regions labelled ‘peripheral’ might undergo a process of (de)peripheralisation. This temporality may have two dimensions. First, the position of a region on any given measure or indicator of peripherality (and the consequences of this peripherality) may change over time; for example, as a result of infrastructure investments or changes in the cost of transportation. Second, the dimensions of peripherality that ‘matter’, or the ways in which they matter, might change over time; for example, the shift from a manufacturing-based to a services and knowledge-based economy may mean transport accessibility for physical goods becomes less important and other forms of accessibility (e.g. business air travel or broadband connectivity) become more so.

Knowledge-intensive business services and peripherality

In keeping with the argument that peripherality is context-dependent and matters because it has consequences for particular types of actor, and in pursuit of the overall chapter aims, this section explores and reconsiders the meaning and implications of peripherality in the specific context of knowledge-intensive business services (KIBS). After some general comments on the nature of KIBS, the geography of KIBS and the role of face-to-face contact in existing explanations of urban dominance are first discussed. The often-assumed need for permanent co-location between KIBS firms and their clients is then questioned using empirical evidence on the tradability of KIBS, recent conceptual work on 'temporary geographical proximity' and insights on the spatial impact of ICT. The potential implications of these themes for our understanding of peripherality in the KIBS context are then weighed up and a 'continuum of peripherality' is tentatively proposed.

The nature of knowledge-intensive business services

An important and widely recognised structural change in developed economies over the last few decades has been the rising importance of services (Bryson and Daniels, 2007). Scholars have been particularly interested in knowledge-intensive business services (KIBS), which are said to be increasingly important within developed economies – both in terms of employment creation and new firm formation and because they play a key role in driving or facilitating innovation (Wood, 2002; Anyadike-Danes and Hart, 2006). KIBS include activities such as: accountancy and auditing; management consultancy; advertising, marketing and public relations; legal services; recruitment and executive search; architectural, engineering, design and technical consultancy; and computing and ICT services.¹

KIBS have a number of key characteristics: they are delivered on a business-to-business basis (rather than to consumers) and are often 'co-produced' with their clients; they are typically customised rather than standardised; and they depend heavily on the embodied knowledge, skills and expertise (including traits like personality, creativity and performance) of professional and technical staff to create value (Faulconbridge, 2006; Bryson and Daniels, 2007). As a result of these attributes, many (though not all) KIBS activities involve close face-to-face (F2F) interaction between providers and their clients, although the precise frequency, duration and intensity of this F2F interaction varies from service to service (Illeris, 1994; Goe *et al.*, 2000). A final point to note is that, despite the presence of some large transnational businesses in certain sub-sectors, the KIBS sector as a whole is dominated by small independent firms. In the UK, for example, SMEs account for around 70 per cent of employment and turnover in the business services sector.²

Face-to-face contact and the geography of KIBS

Over the past two decades, there has been considerable research on the geography of KIBS activities. This work has shown that KIBS are very unevenly distributed, with

concentrations typically found in major urban regions, especially around world cities and national capitals (e.g. van Dinteren and Meuwissen, 1994; Coe and Townsend, 1998; Wood, 2002; Aslesen and Jakobsen, 2007). Attempts at explaining these patterns have frequently stressed the continuing importance of F2F interaction between KIBS vendors and their clients in the ‘performance’ (co-production and delivery) of these activities (Goe *et al.*, 2000; Coffey and Sheamur, 2002; Keeble and Nachum, 2002; Wernerheim and Sharpe, 2003; Jones, 2007). Thus, Goe *et al.* (2000: 133) assert that “[F2F] contact requirements are the service industry’s equivalent of transportation costs”. Whilst observing that the required frequency, duration and intensity of F2F contact between vendors and clients will vary according to the type of service being supplied, these authors assert that vendors of services requiring frequent and intense F2F interaction (typical of many KIBS) are likely to locate in close geographical proximity to their clients as this minimises transport costs, allows greater time efficiencies (e.g. immediate meetings, if required), and satisfies clients’ desires for managerial control. Since the key clients of KIBS vendors – such as corporate headquarters, government departments and high-order financial establishments – are typically concentrated in major metropolitan areas, this results in concentrations of KIBS in these same core regions (i.e. co-location).

Two other contributions provide further insights on why F2F contact between KIBS vendors and their clients remains so important. Here, Coffey and Sheamur (2002) point to certain characteristics of KIBS, and of human nature more generally. They note that most high-order services are embodied in human beings and involve co-production; that negotiation of a contract and the exact specification of a client’s requirements necessitate a considerable amount of inter-personal contact; and that vendor-client interaction involves the exchange of dialogical information, which has qualitative-subjective characteristics that cannot easily be communicated via telecommunications. Similarly, Storper and Venables (2004) argue that F2F contacts continue to provide unique advantages in certain economic exchanges, and should therefore be seen as a key force for, and advantage of, urban concentration. Specifically, F2F is argued to be an efficient communication technology (e.g. high frequency, rapid feedback, visual cues); to promote trust and incentivise relationships; to facilitate screening and socialisation; and to provide psychological motivation for both parties.

Overall, a key inference from the existing literature on the spatiality of KIBS is that such activities are unlikely (or, at least, much less likely) to emerge or locate in places that are geographically distant from major urban concentrations of KIBS demand because of the requirement for F2F interaction in the performance of many of these service activities. Conversely, core metropolitan regions are seen as privileged locations because they facilitate frequent and intensive F2F interaction between KIBS vendors and their clients as a result of physical co-location or close geographical proximity. Thus, it might be argued that the term ‘peripheral’ – in a KIBS context – should be applied to all locations that are not in close proximity to major concentrations of KIBS demand. However, as the ensuing discussion will argue, this simple starting position needs to be nuanced in a number of respects.

The tradability of KIBS and temporary geographical proximity

There are clearly some powerful arguments as to why F2F contact remains an important influence on the geography of many KIBS activities. However, it is pertinent to consider whether the need for F2F interaction between vendors and clients necessarily precludes the emergence of KIBS firms in places that are distant from metropolitan core regions, as is often implied in the literature. And, therefore, should all locations outside these cores necessarily be regarded as peripheral in a KIBS context? Two important points to be considered in answering these questions concern the tradability of some KIBS and the possibilities of 'temporary geographical proximity'. Firstly, although a majority of KIBS are located within urban core regions and sold locally, there is considerable empirical evidence that certain KIBS activities are 'tradable' – i.e. they can be sold beyond their immediate region, and in some instances beyond national borders (e.g. Beyers and Alvine, 1985; Wood *et al.*, 1993; Illeris, 1994; Aslesen and Jakobsen, 2007). Secondly, as Rallet and Torre (2009) have recently observed, the need for co-presence in business transactions (to capitalise on the benefits of F2F contact) does not *necessarily* require permanent co-location of the parties to those transactions. Thus, Rallet and Torre (2009) highlight the possibility of satisfying F2F contact needs by travelling to different locations (i.e. engaging in business travel) and introduce the concept of 'temporary geographical proximity for business and work coordination' (TGP) to describe this situation.

Taken together, evidence on the tradability of KIBS and insights on the possibilities of TGP suggest that, *ceteris paribus*, it may well be possible for certain types of 'exporting' KIBS firms to exist in locations beyond metropolitan cores, particularly in places that have sufficiently good transport accessibility (for example, via air travel or high-speed rail) to allow KIBS actors to engage in F2F meetings with clients located in core regions. Although this argument has not been explicitly articulated in the literature on KIBS to date, some earlier empirical studies did contain hints in this direction. For example, Keeble and Tyler (1995) observed the growth of dynamic and innovative specialised business service firms in 'accessible rural areas' of England that offered quality-of-life (and other cost-related) benefits but allowed relatively easy access to corporate clients in London and South East England. Similarly, Beyers and Lindahl's (1997) study of small, niche-focused, exporting producer service firms in rural areas of the United States noted that many of these firms used air commuter services to travel to F2F meetings at client offices in major cities.

The above arguments suggest the need for a more nuanced understanding of peripherality in the context of KIBS. In particular, they indicate the possibility of an intermediate category of locations between the two extremes of 'core' (locations in close geographical proximity to metropolitan concentrations of KIBS demand) and 'periphery' (locations where F2F meetings with KIBS clients are physically impossible, or prohibitively expensive, due to poor business travel accessibility). These intermediate locations – here termed the 'accessible semi-periphery' – are places with good enough transport accessibility to metropolitan

concentrations of KIBS demand to allow KIBS actors located there to effect sufficient F2F interaction with their clients, without having to co-locate in close physical proximity to them. Further, it can be suggested that recent accessibility improvements – brought about by developments in transport infrastructure and services, notably low-cost air travel – might have led to a ‘de-peripheralisation’ of certain regions (or parts of regions) that were traditionally regarded as peripheral, and therefore increased the number of places in this intermediate category.

The possibilities and limitations of ICT and virtual accessibility

A further issue that demands consideration here is the role of information and communication technologies (ICT). Recent advances in ICT (e.g. the Internet, email, mobile telephony and video-conferencing) are said to have the potential to ‘annihilate distance’ for some types of activities and interactions (Golob and Regan, 2001). This points to the possibility of substituting ‘virtual accessibility’ for physical accessibility in certain KIBS interactions, which would have implications for our understanding of peripherality. To consider whether ICT advances have made particular KIBS activities more viable in regions traditionally regarded as peripheral, it is important to establish under what circumstances, and for what types of activity, virtual accessibility offers an adequate substitute for physically co-present F2F interaction.

In the absence of specific research on the impacts of ICT and e-commerce on business and producer services (Beyers, 2003), we must turn to the literature in urban planning and transport studies for insights. Here, Mokhtarian (2009) has recently argued that only a minority of activities requiring travel for F2F can be substituted by ICT since: (1) some activities have no ICT enabled counterpart (physical co-location of people is required; e.g. surgery, childcare); (2) because ICT substitution is not always feasible (e.g. when infrastructure and services are not ubiquitous); and (3) because for other activities the ICT counterpart is judged to be inferior and not desirable compared to the perceived benefits of F2F and co-presence. Whilst Mokhtarian’s first point seems less applicable to KIBS, her second point highlights that the absence of adequate ICT infrastructure in particular places may act as a constraint on the development of KIBS that are potentially ICT-enabable. Her third point echoes the earlier-mentioned arguments of Coffey and Shearmur (2002) about the difficulty of communicating dialogical information with qualitative-subjective characteristics via telecommunications and implies that many contact-intensive KIBS activities are unlikely to be conducive to virtual accessibility due to the strong inherent advantages of (physically co-present) F2F interaction between KIBS vendors and their clients. This argument is usefully illustrated in the case of videoconferencing by Rallet and Torre (2009), who argue that the limitations of current technology mean exchanges are much less rich than physically co-present F2F meetings and, as a result, video-conferencing is currently most likely to be used where interactions are simple or when the distance between parties is so great that travelling is too expensive.

Additionally, there seems to be an emerging consensus in the geography, urban planning and transport studies literature that virtual accessibility via ICT is more likely to complement or supplement rather than substitute for physical co-presence (e.g. Aguilera, 2008; Mokhtarian, 2009; Rallet and Torre, 2009). In a KIBS context, this might mean KIBS actors using video conferencing and email communication as a supplement to their (co-present) F2F meetings with clients. The implication for our understanding of peripherality in a KIBS context seems to be that locations which do not readily permit F2F meetings with core-concentrated KIBS clients – either through co-location or temporarily via business travel – are likely to be ‘off limits’ to most KIBS activities regardless of the availability of ICT. However, ICT may play a useful supporting role for KIBS firms located outside the core but with adequate transport accessibility to it, as these firms may use virtual accessibility to supplement or complement their use of business travel and TGP. Overall, it seems that the geography of contact-intensive KIBS activities is unlikely to be significantly altered by ICT in the short term, and that TGP facilitated by business travel is far more likely than ICT to alleviate the disadvantages facing firms in locations traditionally regarded as peripheral.

Towards an understanding of peripherality in KIBS

The arguments developed in this section have provided some foundations for a re-assessment of the meaning and implications of peripherality in the context of knowledge-intensive business services. In keeping with earlier arguments, this re-assessment recognises that ‘peripherality’ is necessarily a geographical and relational concept, that has consequences for particular groups of actors and is context-dependent. Thus, it is proposed that peripherality in KIBS should be defined primarily in relation to urban concentrations of KIBS demand, with an emphasis on the advantages conveyed by proximity or accessibility between KIBS vendors and their clients, a focus on the implications for KIBS firms and professionals (e.g. their viability and competitiveness in particular locations), and an acknowledgement that the precise ‘map’ of peripherality will likely vary between different KIBS sub-sectors and activities.

An important starting point for any re-assessment of peripherality must be to explicitly acknowledge the ongoing importance of physically co-present F2F interactions between KIBS vendors and their clients as one of the most important influences on the location of KIBS activity, and a powerful incentive towards the concentration of these activities in major metropolitan regions, such as those around world cities and national capitals. As a result, it seems highly unlikely that the aggregate geography of KIBS activities within Europe will change significantly in the foreseeable future. Nevertheless, the discussion above has outlined some conceptual grounds for believing that certain locations within regions previously regarded as peripheral within Europe might be (or have recently become) more viable locations for (some types of) KIBS activities than has traditionally been assumed. In particular, it has been suggested that improved air travel and high-speed rail connectivity to key centres of KIBS demand, coupled with good

broadband access and other ICT innovations, might have produced ‘islands of accessible semi-periphery’ within such regions, notably around key provincial towns and cities. Thus, it is possible to conceive of a continuum of peripherality in KIBS, whereby locations are primarily differentiated according to their accessibility to concentrations of KIBS demand and by the frequency, duration and intensity of the F2F client contact requirements in specific KIBS sub-sectors and activities (Table 4.1).

Table 4.1 describes a tentative continuum of four types of location: core, semi-periphery, periphery and extreme periphery. This categorisation is somewhat stylised and is not meant to imply that solid lines of demarcation could be drawn on a map. Core locations offer the benefit of easy access to numerous co-located clients as well as unmatched transport connectivity to secondary urban centres of demand. As a result, the most contact-intensive KIBS activities will be compelled to locate here. In addition, based on the UK experience, such locations

Table 4.1 A tentative continuum of peripherality in the context of KIBS

<i>Location type</i>	<i>Accessibility to core markets</i>	<i>Other relevant economic factors/logics</i>	<i>KIBS possibilities</i>
Core/metropolis (and secondary urban centres)	Proximate, good for business travel and good ICT infrastructure	Local buzz, scale and scope of demand, rich skills, high costs	KIBS of all types, especially those with high client contact requirements (where TGP is inadequate)
Semi-periphery	Adequate for business travel and good ICT infrastructure	Unsophisticated local demand, good supply of skilled labour, competitive costs	KIBS with low-to-moderate client contact requirements (where TGP is sufficient)
Periphery	Poor for business travel and good or adequate ICT infrastructure	Weak local demand; poor general business infrastructure; some high costs; paucity of skilled labour	Only certain KIBS with zero or infrequent client contact requirements
Extreme periphery	Very poor for business travel and/or weak ICT infrastructure		Tradable KIBS generally not viable

Source: Mike Crone

Notes: Business travel potential judged in terms of airline (or high-speed rail) connectivity (and costs in money and time); ICT infrastructure quality judged in terms of Internet bandwidth, cost and connectivity; competitive costs judged in terms of commercial office rents, business rates, utility costs, skilled labour costs, etc; client contact requirements judged in terms of frequency, intensity and duration (after Goe *et al.*, 2000).

are likely to offer additional benefits to KIBS firms such as 'local buzz', economies of scale and scope arising from a large and sophisticated client base, and access to a rich pool of skills and talent (Keeble and Nachum, 2002), although diseconomies of agglomeration may also be experienced. By comparison with the core, semi-peripheral locations do not afford the same level of access to many KIBS clients but access to the key concentrations of demand is possible due to good transport connectivity, which facilitates business travel by KIBS actors to effect TGP. Based on the UK experience – and thinking of cities such as Belfast, Glasgow and Newcastle in particular – such 'semi-peripheral' locations are likely to suffer the limitation of small and unsophisticated local demand but may offer compensating benefits to KIBS firms including a competitive cost base (e.g. lower office rents and wages) and an abundant and stable pool of skilled labour. This mix may prove attractive for firms in KIBS sub-sectors with low-to-moderate (frequency/intensity/duration) client contact requirements (e.g. technical and management consultancies, custom software developers). As suggested earlier, locations should only be classed as 'peripheral' when they suffer from relatively poor accessibility to core KIBS markets, making difficulties for KIBS vendors to engage in F2F interaction with clients. Such locations may also be characterised by additional competitive disadvantages and may only be viable for a handful of KIBS activities with very infrequent and low intensity client contact requirements (Table 4.1). Finally, the description 'extreme periphery' is reserved for locations that are physical inaccessible to major centres of KIBS demand (due to poor business travel possibilities) and have weak ICT infrastructure. Such places are not likely to be viable locations for KIBS.

Some avenues for further research on KIBS and peripherality

On the basis of the arguments presented in this chapter, it is possible to suggest a number of avenues for further research at the interface of the literatures on KIBS and peripherality. Three inter-related themes are briefly discussed here.

Business travel accessibility, temporary geographical proximity and non-core locations

The earlier discussion has pointed to the importance of F2F contact in the performance of most KIBS activities. It has also been argued (and see Bergum, this volume, for discussion in the Norwegian context), that KIBS firms located outside core regions, including some places traditionally regarded as peripheral, might be able to effect sufficient F2F interaction with their core-located clients by using business travel and TGP, thus avoiding the need for permanent co-presence/co-location. This argument implies that the business travel *accessibility* of a location, which will be a product of transportation systems, should be regarded as a key indicator of its peripherality in a KIBS context. Although the concept of accessibility to economic activity has often been central to past research on peripherality

within Europe (e.g. Keeble *et al.*, 1982; Spiekerman and Neubauer, 2002), there is a need to re-focus attention on the movement of key individuals (professionals) in the KIBS context. A focus on business travel accessibility might yield new insights into the geography of KIBS activities, and the meaning of peripherality in KIBS, and there would seem to be scope for incorporating appropriate accessibility indicators (e.g. measures of ‘daily accessibility’) into quantitative analyses of KIBS location.

Although the potential importance of business travel in enabling F2F meetings has recently been documented in several studies of globalising professional service firms (e.g. Faulconbridge, 2006; Jones, 2007), the role and importance of business travel is presently under-researched in both economic geography and transport studies (Aguilera, 2008; Faulconbridge *et al.*, 2009). Importantly, from the point of view of this chapter, there appear to be few existing studies examining the use of business travel by firms located in non-core and ‘peripheral’ regions. In one of the few studies to date, international air travel is suggested to have played a key role in enabling and underpinning the internationalisation of Dublin-based software firms (Wickham and Vecchi, 2008). Further research along these lines is urgently required. It would also seem to be important for future research to examine whether recent advances in transportation (e.g. improved air connectivity) have made it easier (or more viable) for KIBS firms located in non-core regions to compete for business (and access knowledge) in core metropolitan markets.³

In terms of future research, there is a need to develop a more detailed understanding of the frequency of use and role/motivations for business travel among key KIBS professionals. This should then be related to a clearer grasp of the specific F2F contact requirements of particular KIBS activities broken down to the level of the individual work task. In the absence of appropriate official statistics, it seems that business survey and case study evidence are most likely to fill these gaps. Novel methodological approaches, such as ‘space-time diaries’ for key KIBS actors (grounded in a time-geographic perspective) might also provide new insights on these conceptually important issues.

Temporary geographical proximity and ‘urban buzz’

One question that has received only passing attention in this chapter and merits further detailed consideration elsewhere concerns the implications, in the KIBS context, of what Copus (2001) termed the second causal element of peripherality – i.e. the absence of agglomeration advantages. Of particular interest in the KIBS context are what Keeble (1976) termed the ‘interaction and information-related advantages of agglomeration’ that accrue to firms located in ‘core’ regions, which have recently been captured in the notion of ‘buzz’ in the urban economy (Venables and Storper, 2004). Existing research on KIBS has shown that ‘core’-located firms benefit, in terms of learning and innovation, from their numerous interactions with clients, partners and various other actors within a metropolitan urban economy (e.g. Keeble and Nachum, 2002; Wood, 2002). This has traditionally been seen as disadvantaging KIBS firms located outside ‘core’ regions.

However, there would seem to be a case for further empirical investigation on this point. Specifically, it seems important to examine the extent to which occasional F2F interactions achieved via business travel and TGP are sufficient to allow firms located at a distance from metropolitan core regions to capture or 'tap into' the interaction and information-intensive 'buzz' of the metropolitan economy and overcome the costs of not 'being there'. One recent study that seems to challenge the accepted wisdom on this question has suggested that geographical proximity between KIBS firms and their corporate clients is not always required for effective learning and innovation (Aslesen and Jakobsen, 2007).

Spatial costs facing firms in non-core locations

A final avenue for future research on KIBS and peripherality concerns the 'spatial costs' facing firms in non-core locations. As noted earlier, some economists have suggested that the spatial transaction costs facing firms have changed radically over recent decades (McCann and Shepherd, 2003; Glaeser and Kohlhase, 2004). The increased travel and transport costs (expressed either in financial or time penalty terms) resulting from remoteness from major centres of economic activity have long been portrayed as a key causal element of peripherality (Copus, 2001). In traditional analyses, however, this argument has been associated with the transportation of physical goods (Keeble *et al.*, 1982). Based on the arguments presented here, it would seem more important – in the KIBS context – to consider travel and transport costs from the perspective of KIBS professionals travelling to and from F2F meetings with clients. Such travel and transport costs have received little detailed attention in the literature on KIBS but their potential significance has been suggested in several studies (e.g. Illeris, 1994; Goe *et al.*, 2000). What is lacking at present is a full and detailed understanding of the various 'spatial costs' facing KIBS firms in non-core locations, and an appreciation of the significance of these costs for firms' overall competitiveness. At a minimum, such analysis should attempt to consider both the direct costs of travelling to do business F2F with clients and the opportunity costs of the time that KIBS professionals spend travelling. These costs should also be weighed against possible cost advantages resulting from a non-core location (e.g. lower office rents and wages).

Notes

- 1 Ian Miles (Manchester Business School) proposes a differentiation between P-KIBS (traditional professional services such as accountancy and law), T-KIBS (technology-related services such as computer services and engineering services) and C-KIBS (business services that involve production of creative content creative, such as advertising, design, and architecture, and perhaps marketing). Source: 'Towards a Working Definition', 10 December 2009, <http://knowledgeintensiveservices.blogspot.com> (accessed 15 January 2010).
- 2 These approximations are based on data from the UK Annual Business Inquiry for Section K 'Real estate, renting and other business activities' during 2000–05 (Source: Office for National Statistics).

- 3 When seeking to gauge the overall economic impact of improved air connectivity on peripheral regions, rather than the specific impact on individual KIBS firms and actors, it will be important to consider the ‘two-way road problem’ or ‘Appalachian effect’. Prior research on the regional economic impacts of transport infrastructure investments has shown that new connections between core and peripheral regions can have unpredictable economic impacts on the peripheral region (SACTRA, 1999). For example, the benefits of improved access to core markets for peripheral region firms may be outweighed by negative competitive effects in the opposite direction.

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5 Conceptualising marginalisation in cities and regions

Stephen Syrett

Introduction

This chapter addresses the issue of how to conceptualise and understand the multiple relationships between marginality and cities and regions. It argues that understanding the production and reproduction of marginalisation requires engagement with a range of different theorisations of urban development and regionalisation that have developed over the last twenty years. These debates on the nature of socio-spatial relations have demonstrated the need to recognise the organisation of socio-spatial relations in multiple forms and dimensions rather than privileging one single dimension. The discussion presented here considers the notion of marginalisation and marginality in relation to places, territories, networks and scales, drawing upon the framework set out by Jessop *et al.* (2008). The conceptualisation of marginalisation across these multiple dimensions identifies and enables the study of marginality in diverse contexts ranging from geographically peripheral rural areas through to the marginalised spaces located in the most economically prosperous city-regions. However, it also presents a particular methodological challenge; one which requires investigating the historically specific and contextually embedded geographies of social relations to understand how in practice different dimensions of marginality are mutually constituted and relationally intertwined.

Understanding marginalisation in urban and regional development

Marginalisation is the social process of becoming or being made marginal. To explore this process in any given urban or regional context requires not only the description of the relationship – for example between an outlying residential estate and the wider city-region or a refugee group living in poverty within an economically prosperous city – but the specification of the power relations involved in this relationship. Where people or places are being/have been ‘made marginal’, some sort of asymmetrical power relation is in operation which may be rooted within one or more of a variety of economic, social, political or cultural sources of power. People or places may also ‘become marginal’ through the exercising of

a degree of choice by certain individuals and groups to locate themselves on the margins, and here the direction and strength of power relationships is more variable and multidirectional.

The relationship between processes of marginalisation and processes of regional and urban development has multiple dimensions. To understand the production and reproduction of marginalisation requires engagement with wider questions related to how best to conceive of the changing social-spatial relations within which they are rooted. Over the last 20 years there has been a series of debates concerning regionalisation and cities that have variously invoked the importance of particular dimensions to explain socio-spatial relations. Jessop *et al.* (2008) identify four key dimensions that characterise these debates: territories, places, scales and networks. Each of these provides different insights into marginality and the nature of marginalisation processes in relation to space/regions.

Rather than privileging one single dimension, investigation on marginalisation within cities and regions needs to recognise the organisation of social-spatial relations in *multiple* forms and dimensions. As Jessop *et al.* (2008) argue more generally with regard to regionalisation, this is important for two reasons. First restricted, one-dimensional views that focus upon and privilege one aspect – say for example marginalisation in relation to territorialisation – risk conflating a number of different processes into a dominant one either through a limited analytical focus, conceptual inexactness or reductive reasoning. Second, because it is frequently the interrelationships *between* different socio-spatial processes – operating in and through places, networks, scales and territories – that provide the most complex and challenging issues for analysis. Thus for each dimension there is a need to consider to what extent it is a causal mechanism in marginalisation processes but also how it relates to and mediates other dimensions.

Thought of in this way processes of marginalisation need to be understood within their specific spatial and historical context. Research needs to understand how in practice different dimensions of marginality are mutually constituted and relationally intertwined within particular regions and geographies. This presents a particular methodological challenge which requires investigating the constitution and evolution of power relations embedded within particular spatial and historical settings; one that requires sensitivity to context as well as theoretical understanding of wider processes of change. This involves bringing together the analysis of more relational views of space, which stress the importance of flows, with more territorial based understandings of space (Jones, 2009). A useful starting point towards this project is to consider further how the different dimensions of territory, place, scale and networks provide different insights and ways of thinking about the nature of marginalisation within cities and regions. The rest of this chapter will seek to map out the contours of such an approach.

Territories: borders, boundaries and marginalisation

Approached from a focus upon territories and their spatial extent and organisation, notions of marginalisation relate particularly to borders, boundaries and frontiers

and their temporal development within various territorial units, particularly that of the nation state but also those organised at sub-national and supranational levels. Borders and boundaries often relate to physical features that can provide physical barriers to communications and are frequently located in geographically peripheral areas of territories. However, as social constructions, boundaries and borders generate marginalisation processes through their definition of insider/outsider status in relation to territorial organisation. The power of insider/outsider designation at boundary lines has traditionally been most apparent with regard to national borders, however with the rescaling of state relations – discussed in more detail later in this chapter – supranational and regional and local boundaries can also have powerful marginalising impacts. Yet boundaries and border areas should not be thought of only in terms of their ability to generate marginalisation. In fact in certain contexts and situations border areas can act as a focus for economic, social and cultural interaction.

There are a number of interrelated ways in which the presence of boundaries may generate processes of marginalisation. First, national borders impede the flow of goods, capital and people, generating increased transaction costs and impacting negatively upon the economic development process within market based economies. Differences in regulations, institutions, language and culture act to impede the circulation of goods and people within border areas. These disjunctures in flows can generate certain types of economic activity, for example related to the commercial opportunities created by differential regulatory and pricing regimes, but more generally they serve to suppress the general level of economic activity. There can be social costs too, for example where the existence of borders generates concentrations of marginalised populations, as has been seen in Northern France where refugees seeking to gain entry to the UK have congregated in and around Calais.

Second, boundaries impact upon investment and resource allocation decisions by private and public investors. In terms of areas close to national borders, reduced levels of economic activity and the existence of barriers to circulation can discourage investment. Where political relations between bordering states are poor or unstable there can be a reluctance to invest in public infrastructures and services in these areas – although it may sponsor certain types of defensive investment. Such conditions also discourage private sector investors. These boundary effects are also evident within nation states and supranationally. The allocation of public spending frequently has a territorial dimension with boundary lines delineating who does or does not receive funding or access to services. Furthermore, public authorities may prefer to invest more centrally within their territories as this improves access to the population they serve and reduces leakage of benefits to those resident in neighbouring territorial areas. The nature and extent of such boundary effects will reflect the particularities of sub-national and supranational governance arrangements, especially in relation to tax-raising and public funding and spending mechanisms.

Third, boundaries put in place barriers to integrated governance. Given the spatial dimension to the allocation of public resources and their role as barriers

to flows, where boundary lines cut across populations and/or economic areas it is more difficult for authorities and stakeholders to co-ordinate and integrate governance activity. This frequently acts to discourage cross boundary working. One example of this can be seen in the attempts to regenerate the Thames Gateway area, a large area extending 40 miles along the Thames estuary from London Docklands, which has remained at the margins of London and the wider South East region's recent economic growth. Despite a major state-led initiative since the turn of the century to promote this as one of Europe's prime regeneration regions, the sheer complexity of governance arrangements within this area, incorporating a range of local, sub-regional and regional administrative boundaries, has acted as a major constraint on developing and delivering a cohesive programme of action (Brownhill and Carpenter, 2009).

The role of boundaries and borders in generating or mediating marginality needs to be understood within their particular spatial and historical settings. For example, within the European context the economic and political changes associated with the development and expansion of the European Union (EU) and the demise of the Eastern bloc over the last thirty years has demonstrated how the extent and nature of boundary effects can lead to major changes in the development of cross-border regions (Perkmann, 2003; Johnson, 2009). The development of the Single Market from the 1980s increased the free circulation of goods, services and people within the EU, reducing the impacts of internal national borders and leading to the emergence, and sometimes disappearance, of cross-border areas. Such changes simultaneously increased the significance of the borders between EU states and non-EU states. Changes in communication infrastructures can also significantly change boundary effects in border regions. For example the opening of the Öresund bridge between Malmo and Copenhagen has permitted a range of different border-crossing activities and contacts to develop (Löfgren, 2008) including a degree of labour market and housing market integration which has stimulated new development paths for the Öresund region.

The marginalisation impacts of borders are well recognised politically and economically, although developing the necessary political will and economic resources in order to confront them is often challenging and a long term process. Within the EU, marginalisation processes within border areas have been long recognised as a barrier to the pursuit of increased integration. The creation of the EU's INTERREG programme in 1990, which has subsequently evolved through a number of different phases, was direct recognition of the particular challenges presented by national border areas in the development of the Single Market. Here a major emphasis was placed upon the promotion of cross-border co-operation particularly in less developed regions that were seen to present particular economic challenges. Such programmes, alongside other elements of EU regional policy, have consequently contributed to the emergence of a range of cross-border institutions and governance arrangements (Perkmann, 2003).

The significance of national borders has in many respects reduced within a globalised economy and the associated development of supranational political spaces, like that of the EU. As a result the role of national state boundaries as a

driver of marginalisation has also been reduced in certain regards, yet remains highly important in others. One of the more visible manifestations of this relates to population flows where the granting of rights of entry and residence within national territories has a fundamental impact upon who is 'inside', 'outside' or on the margins within a given territorial unit. Such impacts are often especially apparent within centres of economic dynamism where employment prospects attract both documented and undocumented workers and where the legal status of different migrant groups has a major impact upon their ability to integrate into local labour markets (Wills *et al.*, 2010). Such processes directly generate a variety of marginalised social groups related to their citizenship or legal status and with this particular social geographies, and demonstrate the enduring importance of the territorial dimension to understanding marginalisation within and between cities and regions.

Places, localities, regions in relational context

Within the study of regional and urban development there has always been recognition that specific places or regions can be considered marginal in terms of their geographical location relative to their proximity and degree of connectedness with other places. However it has been through the development of a relational concept of place, within which places are seen as embedded within wider social relations, that a fuller understanding of the marginalisation of places rooted within wider social processes has developed (Massey, 1984).

From this perspective the marginalisation of places is understood in terms of the production and reproduction of evolving spatial divisions of labour within which places are related to, and constitutive of, wider processes of economic, social and political change. In any given phase of economic development a number of interlinked socio-economic processes and technological developments provide a particular spatial and temporal fix with their own geographic patterns of growth and deprivation (Harvey, 1985). The resulting spatial divisions of labour witness certain cities or regions assuming a lead and dominant role relative to other more marginalised areas – which themselves may have assumed such a core role in previous rounds of investment.

This relational concept of place has been fundamental to much work on economic restructuring and development and has focused analysis upon the socio-economic relations between core and peripheral areas in terms of flows of capital, labour and goods. Understanding of marginalisation here is rooted within specifying the nature of the socio-economic processes and linkages between developed core regional centres and less developed areas, whether in terms of migration flows, production systems, value chains, investment flows or cultural constructions, which come together in places to produce and reproduce particular spatial divisions of labour. For example, processes of economic labour migration link areas of labour supply and demand in a manner that removes the most highly qualified, mobile and motivated element of the population from peripheral areas to work within core regions and cities. Certain flows back to supply areas also take place in the form

of remittances and knowledge, but the extent to which these uneven flows between areas of labour supply and demand produce and reproduce economic marginality between cores and peripheries ultimately depends on the specificities of that relationship as constituted within a given spatial and temporal context.

Viewing issues of area disadvantage in a relational context provides a powerful means for understanding the nature of spatial marginalisation and requires the specification of processes and how these are constituted within, and through, particular places. For example, the presence of spatially concentrated areas of poverty and deprivation within urban areas has been a feature of cities from the earliest phases of industrial capitalism to the contemporary period. The persistence of low-income, disadvantaged neighbourhoods through successive periods of economic development indicates the structural role they play within the operation of the wider urban economy through the production and reproduction of low-cost labour to provide cheap services to businesses and residents (Fainstein *et al.*, 1993; Sassen, 2001). Yet while the fundamental restructuring of the economic base through processes of deindustrialisation and the development of service industries has created particular spatial patterns of concentrated worklessness and low paid employment at the current time, it is not enough to explain the particularities of why deprivation is concentrated in some neighbourhoods and areas, and not others. To achieve this, the wider analysis of changing patterns of employment and unemployment has to be considered in terms of their interaction with a range of economic and social processes operating locally that cumulatively act to reduce employment opportunities and depress local economic development. These include the workings of housing markets, local labour markets, public and private sector investment markets as well as the local formation of social capital and the presence or absence of neighbourhood effects (Syrett and North, 2008).

Whilst many areas experience persistent disadvantage, the changing nature of socio-spatial processes can significantly recast the relationships between cores and peripheries over time. In northern Europe this is well demonstrated by the contemporary experiences of port cities. Whereas once historically at the centre of an internationally dominant mercantile trading system, the last thirty years have seen them undergo profound change as they have sought to redefine and reinvent their economic role with varying degrees of success. Certain peripheral rural areas have also experienced change as increased recognition of their value as high quality living and leisure environments and the persistence of their traditional regional cultures have provided new socio-economic development opportunities. This evolution of spatial divisions is apparent across all spatial scales, from major changes in the centres of power within the global economy, through to processes of gentrification within urban areas, and this scalar dimension is considered further in the next section.

Power and politics and the rescaling of governance

A central concern of recent debates related to socio-spatial relations has been with issues of scale. Understanding of processes of marginalisation from this

perspective focuses upon how the rescaling of governance and economic activity has impacted upon power relations and political practice to produce new centres and margins within the governance system.

Integral to analysis of changing spatial divisions of labour has been debate as to the nature and significance of changes in the relative importance of the economic relationships within and between supranational, nation, city-region and local scales. Within this has been a particular focus on the new roles for selected cities and regions as motors within a globalising economy (Storper, 1995). City-regions specialising in high added value activities (e.g. banking and finance, hi-technology industries, entertainment) have, it is argued, become more detached from national economic space and instead operate and compete within a wider globalised economy (Scott, 1998). Such a reading of the rescaling of economic activity implies not only the increasing importance of a select number of city-region economies globally but a relative marginalisation of national economies and other less globally competitive cities and regions.

Debate over changing scalar relationships in governance systems reflect concerns over the appropriate territorial scale at which to manage and intervene within the economy in a globalised economic system and observation of major changes in the territoriality of governance. Evidence for a process of re-territorialisation across different geographic scales is provided by the emergence of new governance levels and institutions, which challenge the previous dominance of the national state and its territorial governance and produce new forms of politics. Jessop (1994) attempted to capture these changes in the general notion of the 'hollowing-out' of the nation state, both upward to the global level and downward to the region and city level. The new and evolving governance landscapes which have resulted have, it is argued, tended to shift from highly centralised structures towards more multi-centric power structures operating across a range of scales (Brenner, 2004).

Yet a characteristic of emerging scalar arrangements and their impacts upon the centres and margins of power within any given governance system is their considerable diversity (Lefèvre, 1998; John, 2001). This reflects the impact of a range of factors, not least the nature of existing national, sub-national and supra-national governance systems and politics and cultural formations. Given the highly diverse nature of pre-existing state systems within Europe, with notable variations in the relative importance of national, regional, city and local government structures, shifts in scalar arrangements have evolved to demonstrate significant differences (Newman, 2000; Silva and Syrett, 2006). Therefore to understand how in practice such scalar change impacts upon, and interacts with, marginalisation processes necessitates an understanding of the particularities of urban and regional contexts and how power is possessed and exercised within and between different scales.

A brief consideration of recent UK state rescaling exemplifies the complexity of directions of change and continual adjustment processes and the consequent difficulties in locating centres and margins of power within a rescaled governance system. Under successive New Labour governments (1997–2010) a stated political commitment was to devolve and decentralise power within what remains a highly

centralised state. This commitment was taken forward initially through the devolution of power to elected parliaments and assemblies in Scotland, Wales and Northern Ireland and an elected Mayor and assembly in London, and an attempt to decentralise power to the English regions. The devolution process resulted in a significant transfer of certain powers, and the prospect of further devolution, which has addressed some longstanding concerns of Scotland, Wales and Northern Ireland concerning their marginalised position under previous territorial governance arrangements.

In contrast, the attempt to develop regional level institutions and governance arrangements within England had only a marginal impact. This reflected the lack of power decentralised by the central state and the absence of established institutional forms and sense of identity at the regional level. The attempt to develop elected regional assemblies was abandoned early in the process and the most high-profile new regional level institutions, the Regional Development Agencies (RDAs), were characterised by limited powers and were subsequently scrapped by the incoming Conservative-Liberal Democrat Coalition government in 2010. The failure of this regional project then led to a renewed emphasis upon the local scale through an enhanced role for local authorities and the development of sub-regional bodies (HM Treasury, 2007; Syrett *et al.*, 2008) and more latterly upon localised civil society based organisations.

The evolutionary nature of change and the constant process of readjustment evident in the UK case has led to changes and continuities in the centrality and marginality of different scales over time (North *et al.*, 2007). The regional scale in England, for example, moved from being a highly marginal governance tier to become an active governance sphere, only for it to return once more to the political margins (Sandford, 2002; Jones and MacLeod, 2005). At the same time and counter to this trend, London successfully established city-wide governance as part of this process (Syrett, 2006), and has subsequently argued for the devolution of further powers. Within this context, disentangling how these complex changes have impacted upon power relations across and within scales is necessarily difficult. Throughout the process the continued importance of the nation state in nurturing and sustaining the forms and functions of local and regional governance has been apparent. As Goodwin *et al.* (2005) argue, processes of 'hollowing-out' and 'destatization' have been also characterised by a recursive process of 'filling-in' and 'restatization' by the nation state.

The UK example demonstrates a transfer of power in a complex manner between different tiers of the state in an active and contested process of state formation. The search for a new spatial fix of governance arrangements appropriate to changed economic and political circumstances has profound consequences for understanding processes of marginalisation. But the complexity of interactions across and within governance scales means that articulating the scalar dimension of changes in power relations requires contextual analysis of particular cities and regions in the wider national and supranational state context. Only in this way is it possible to understand the degree to which in practice certain political interests operating at different scales are marginalised within changing governance systems and political processes.

Networks: interconnectivity, interdependence and marginality

A central theme of much recent urban and regional analysis has been seeking to understand the implications of societies, politics and economies where networks might be judged to be the dominant model of social organisation (Castells, 1996). Alongside more traditional concerns with physical networks related to transport and communications systems, notions of networks have been at the centre of much political analysis related to governance systems and within the economic sphere, in the examination of production chains and interfirm relations (Grabher, 2006). The emphasis here is upon interconnectivity, interdependence and the resulting flows between people and places within multiple and overlapping networks.

The emergence of network geographies demonstrates complex relationships with territories, places and scales. The importance of building and maintaining networks of nodal connectivity is embodied spatially within the increased dominance of powerful, highly connected global cities, yet the ability of new technologies to operate across space and scales has also enabled network participation by formerly geographically peripheral places and their inhabitants. Within a networked society this differentiation of social relations among different nodal points has important implications for understanding marginalisation within cities and regions. This involves not just the description and mapping of networks but also analysis of the power relations exercised through and within multiple networks by individuals, groups, communities and institutions resident within cities and regions, as well as upon cities and regions themselves, as network actors. For each of these, marginalisation needs to be understood in terms of their integration/exclusion from different networks, their influence and position within networks and the (in)ability of different networks to lead or respond to change.

Physical networks of transport and communications within cities and regions have become ever more important as the scale and speed of flows has intensified within a globalising economy. Physical network connectivity, in terms of air, road and rail links as well as infrastructures for electronic communication, is routinely accepted to be a fundamental requirement for major cities and regions, with indices of connectivity frequently used as a core measure of economic competitiveness (Derruder *et al.*, 2009). The high investment costs related to the development of these communication networks has favoured investment within existing major cities, further strengthening their nodal position (Givonia, 2006). The development of the high-speed rail network in Europe has, for example, further strengthened the position of major cities though the provision of rapid and frequent rail linkages whilst at the same time bypassing numerous other towns and cities. Transport exclusion is also apparent at a more localised scale with respect to many deprived communities in urban areas (Hine and Mitchell, 2003; Preston and Raje, 2007). For areas traditionally peripherally located, the level of integration into transport and communication networks remains fundamental to the development of social relations. Where peripheral areas have become integrated into these networks, for example through the opening of low cost airline routes, resulting changes in labour migration, tourism and trade have provoked

significant changes in existing social relations. Similarly, integration, or the lack of it, into information and communication networks is fundamental to participation in an electronic world driving new patterns of work, life and play (Graham, 2001; Malecki, 2002).

In the geography of economic activity the importance of networks is apparent in the organisation of production and commodity chains, the nature of inter-firm relations and flows of information and knowledge (Taylor, 2004). Within such networks power resides in factors such as access to knowledge, degree of market control, involvement in higher value activities and ability to respond to a rapidly changing economic environment. Large corporations and firms specialising in high value added service provision frequently exercise considerable control over production networks and commodity chains, although smaller specialist firms or producers grouping together can also exercise a degree of network power. Spatially such networks operate across scales, places and territories and hence the nature and the impacts of processes of marginalisation emanating from them needs to be rooted within an understanding of the particularities of industrial sectors, production chains and labour markets within particular socio-spatial settings.

Notions of networked governance in the political sphere have been seen as a central element in the shift from more formal and hierarchical government arrangements towards the development of new governance relationships operating horizontally and vertically across scales to involve a range of public, private and third sector stakeholders and interests (Bellamy and Palumbo, 2010). Networks have also developed between cities and regions themselves as they have sought to learn from, collaborate and compete more effectively with other cities and regions. In the European case such networks have often emerged out of, or as a response to, EU programmes and initiatives supportive of cross-national working.

The resulting profusion of diffuse governance networks are frequently characterised by a lack of transparency and accountability, which makes identifying where power lies and how it is exercised a major challenge. Much network analysis has avoided consideration of power relations. However, there are examples of research, such as Stone's (1993) analysis of 'urban regimes' in US cities, that demonstrate the contingency of power – based within the capacity to act rather than on formal institutional authority – in explaining the informal relationships needed for the operation of complex governance relationships between states and markets. Subsequent attempts to generalise this urban regime model outside the US to European cities, however, also demonstrated the significance of quite different institutional contexts, particularly in relation to the constitution of public-private sector relations, to understanding the operation of urban governance (Davies, 2003). Such analysis again demonstrates the need for contextually rooted analysis, in this case of local politics in order to understand the role and operation of elite networks in urban and regional governance, and how these interact with and marginalise other groups, communities and interests within existing formal and informal arrangements.

Conclusions

The discussion in this chapter has demonstrated how different theoretical positions of socio-spatial relations provide different ways of thinking about marginalisation in cities and regions. The argument presented here is not that any one of these positions provides a privileged reading of marginalisation, but rather that thinking through this notion in a systematic and reflexive manner in relation to territories, places, scales and networks, and the relationships between them, provides a starting point for a fuller analysis of marginalisation within particular historical and spatial moments. Contextual sensitivity is fundamental in order to avoid deterministic readings of marginalisation or partial analysis that fits local experiences into pre-existing privileged theoretical positions. However, it also requires strong theoretical engagement if such contextual case studies are to be able to specify and uncover power relations and allow the development of more nuanced and generalised conceptual ideas for thinking about marginalisation within cities and regions.

There is a clear methodological implication from thinking about marginalisation in this way. It is only through in-depth contextual analysis of particular cities and regions that the relationships between these different dimensions can be specified in order to understand how power is realised through and constituted within socio-spatial relations. This provides a basis from which to talk meaningfully about marginalisation as embedded within and constituted through particular historical and spatial contexts.

It is the interplay between these dimensions and particularly where they come together to reinforce each other where marginality is particularly severe. In situations where population groups such as refugees or migrants lack residential status, are outside the formal labour market and governance mechanisms, and physically marginalised in low-grade, low-cost housing, these dimensions interplay to produce highly marginalised people and places. Importantly too, these processes are evolving through time. This may be manifested in the deepening of marginality for certain social groups and places over time through the operation of 'vicious spirals', but also through the development of 'virtuous circles', where power asymmetries shift through increased economic, social, political or cultural integration to reduce marginality.

In policy terms the point at which marginality becomes a 'problem' that needs to be addressed relates to the degree and extent of marginalisation processes and the power relations that underpin them within a given context. There may indeed be cases of 'self-marginalisation' where individuals and/or social groups choose to place themselves at the margins, perhaps in the pursuit of alternative lifestyles or value systems. However there are frequently multiple and reinforcing marginalisation processes related to individuals, social groups, communities and places which produce the most extreme cases of marginalisation. It is often these that are the focus for social and spatial policy attention.

Addressing the realities of these multiple dimensions of marginalisation within any particular spatial context has important implications for the development

of regional and local economic policy. That the marginalised position of certain social groups concentrated in particular places are frequently an expression of wider patterns of inequality set nationally and internationally indicates the need for national policies tackling issues of poverty and deprivation more widely rather than merely tackling the manifestation of these patterns locally. Many place-based policies consistently mis-specify the nature of the problem under consideration and consequently fail to recognise the limitations of what they can achieve. Yet at the same time, the need to understand how different dimensions of marginality come together and are embedded in particular places also indicates a central role for policy interventions and delivery at appropriate local and regional scales which are based on an understanding of, and sensitivity to, local conditions, and consequently are more likely to produce effective policy outcomes.

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6 Dynamics of peripherality

Klaus Lindegaard

Peripheral development and innovation – a real regional innovation paradox

A new agenda for research and policy is needed in regional studies and regional development. The last couple of decades have witnessed a contrasting development, with a marginalised rural periphery with problems of relative poverty, social anomie and decay in contrast with the mainstream vital and creative, renewed, rich and high-tech, global post-industrial urban centres.

The chapter takes its point of departure in a Danish research and policy context and adds Nordic and European perspectives to the discussion of how rural development research can add value to the innovation policy of centres and how rural development research and policy can be refined on their own terms. The chapter considers, from an innovation systems approach, what the centre can learn from the periphery in terms of the research approach as well as of policy. The peripheral dynamics put forward originate from case studies of the wood and furniture manufacturing cluster and coastal town community development of the experience economy in Denmark, which is analysed against a literature-based review of innovation in peripheral, rural and regional development.

Peripheral areas in Denmark are characterised by relatively low income and employment levels, low levels of formal education, a older age profile, low levels of public welfare services, low population density and longer physical distances, lower property values, high shares of agricultural and industrial employment, and a low level of research and development activities. The social polarisation between population groups, of course, is also present in the urban centres themselves as well as within the rural areas. The uneven development of rural peripheries compared with urban centres has long accentuated the question of development, innovation and employment creation in rural and peripheral areas, but as a minor part of a more general national, European and international trend for transitions to research intensive and high value added global competitive knowledge economies. Here, formal measures of innovation and innovative performance have been institutionalised as national and European policy tools in the Community Innovation Survey (CIS) innovation statistics.

In the last two decades, innovation paradoxes have been researched and applied in European and national policies in different ways. A European paradox in technology and innovation performance has long been a matter of allocative inefficiency and a European investment gap relative to United States and Asian growth economies instead of a European weakness due only to organisational, cultural and political factors in turning knowledge investments into innovation and increased competitive performance (Muldur, 2001). This analysis suggested increasing European public spending on R&D to close the gap. Another study (Dosi *et al.*, 2006) found no overall paradox, with strong science and weak downstream links to business and innovation being observed, while a closer look at various indicators and available statistics shows a contrary picture of both weak science and innovation performance of the European countries relative to United States and Japan. Dosi *et al.* (2006) propose increasing public spending on basic research and high-tech programmes. In Sweden, for two decades the Swedish innovation paradox of relative high R&D expenditures compared with innovation outputs has been debated (Edquist, 2010), with advice given along the lines of the original formulation of the European paradox, i.e. support to university-industry linking and networking for application and innovation.

The chapter starts out with a presentation of the available regional CIS data for Denmark by Danmarks Statistik (Statistics Denmark). Here a Danish innovation paradox become evident in terms of innovation input and output measures. In search of tools for explanation, the paradox is confronted with main exponents and reviews of the literature on regional innovation and clusters. The paradox is then opened up by two Danish case studies of innovation in the regional periphery. Here possible keys to unlock the paradox exist with lessons for future research and policy.

In the CIS statistics, it is possible to begin to find data available on the distribution of innovation by regions and by urban centres and rural areas. In Denmark regional data (NUTS 2) capture well an overall distribution among centre and periphery, because only one administrative region, the Copenhagen capital region, has an urban centre with more than one million inhabitants. Each of the other four Danish regions have one or more minor urban centres and only three – North Jutland, Mid Jutland and Southern Denmark – have a single centre city, but with inhabitants not much above 100,000. Hence, for Denmark, data on the regional level functions well to this end, though data on municipalities and even parishes will give a much more accurate distribution.

The urban centre of the capital region is characterised as having one-third of national employment by workplace, about two-thirds of private innovation expenditures (with more than 50 per cent as company internal R&D), and three-quarters of those employed in national R&D occupations. The Danish periphery, taken as the remaining regions, has relatively low R&D expenditures and R&D employment. The regional distribution of private innovation expenditures in 2004 was North Jutland: 4 per cent; Mid-West Jutland: 9 per cent; Mid-East Jutland: 12 per cent; Southern Jutland: 12 per cent; Funen: 3 per cent; South-West Sealand: 2 per cent and Greater Copenhagen area: 59 per cent (Danmarks Statistik, 2008).

The most recent available data, from 2007, confirm the regionally uneven distribution of innovation expenditures in Denmark (see [Figure 6.1](#)). Here the Copenhagen capital area has more than the double level of expenditures compared to any other region (Erhvervs- og Byggestyrelsen, 2011)

The Copenhagen centre region concentrates innovation expenditures in Denmark with 48.328 million Danish Krone (DKK), by far the largest share of the total of 59.969 million DKK, while the other four regions share a total of 11.641 million DKK (Erhvervs- og Byggestyrelsen 2011). Data on private innovation expenditures as shares of regional GNP (per cent available for 2007) show the Copenhagen region has 4.2 per cent, Sealand region 0.8 per cent, South Denmark region 0.8 per cent, Mid Jutland region 1.0 per cent, North Jutland region 0.3 per cent and national average for Denmark 1.2 per cent (Erhvervs- og Byggestyrelsen, 2011). The capital area also concentrates, not surprisingly, employment in research and development functions (see [Figure 6.2](#)).

In total there were 31,169 full time R&D employees in 2007 in Denmark. The capital region concentrates private R&D employees, with 22,593 measured as

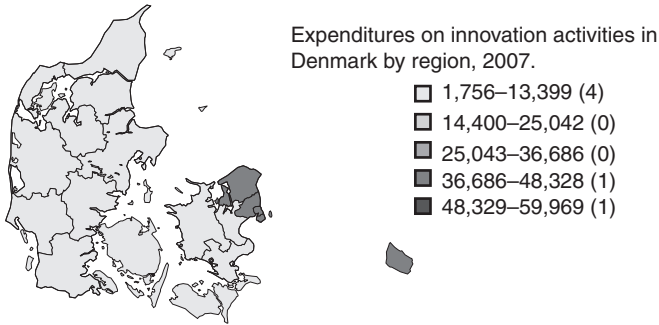


Figure 6.1 Private innovation expenditures

Source: Statistics Denmark (www.statbank.dk).

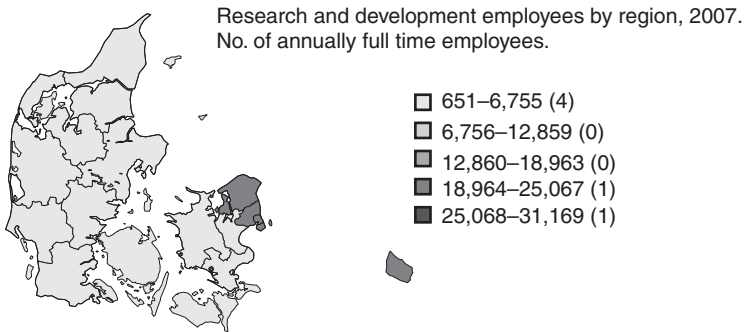


Figure 6.2 Research and development employees

Source: Statistics Denmark (www.statbank.dk).

annual full-time jobs, while the other regions host the following numbers of R&D employees: Sealand region has 1,105; South Denmark region 2,539; Mid Jutland region 4,182; and North Jutland region 651 (Erhvervs- og Byggestyrelsen, 2011). To complete the picture of regional innovation, some innovation output performance data, such as the number of innovative firms and the economic importance of innovations, are needed. This should then give an understanding of differences in business activities, employment and living conditions (see [Figure 6.3](#)).

Except the Sealand Region (South-West Sealand) with 36 per cent, all other regions had between 39 and 45 per cent of firms innovating in 2007. This includes the Copenhagen centre area with 45 per cent, South Denmark region with 41 per cent, Mid Jutland region with 45 per cent and North Jutland region with 39 per cent. The national average for Denmark is 43 per cent (Erhvervs- og Byggestyrelsen, 2011). The 2008 data are available here and the corresponding shares of innovative firms are: 34 per cent, 45 per cent, 41 per cent, 44 per cent, 39 per cent and national average 42 per cent (Erhvervs- og Byggestyrelsen, 2011).

Here is the regional innovation paradox between inputs for innovation and innovation output: despite the uneven R&D input, the regions, centre as well as periphery, have a more or less equal share of innovative firms. The average level of innovation activity in firms is independent of the resources spent on research and development. Regions with low R&D are as innovative as the region with high R&D. Are the economic effects of innovation also quite similar across the regions? See [Figure 6.4](#).

The economic importance of innovations, measured as the share of new products and services in annual turnover, shows a regional distribution: the share for Denmark overall is 18 per cent with a 23 per cent share in the Copenhagen region, 17 per cent in North Jutland and 16 per cent in the Southern Denmark regions, while the Mid Jutland and South-West Sealand regions display shares of 11 per cent and 14 per cent respectively (Erhvervs- og Byggestyrelsen, 2011). This uneven regional distribution does not seem enough to account for the uneven distribution of innovation inputs of R&D. The data available for 2008 display a change in ranking in the regional distribution with a national average of 17 per cent, Copenhagen region 17 per cent, Sealand region 20 per cent, South Denmark region 26 per cent, Mid Jutland region 10 per cent and North Jutland region 11 per cent (Erhvervs- og Byggestyrelsen, 2011). Looking at 2007 and 2008 data together, some volatility in the data must be recognised, but also a reflection of the uncertain nature and economic outcome of innovative activities altogether (product, process, organisational and marketing).

It is not necessary to go deeper into the figures to see this real regional innovation paradox in Denmark. Indeed, it can be asked whether the regional paradox is not also a European and a global phenomenon. The available data, on for example the European countries, are not disaggregated on a level fine enough in the CIS to reveal the European dimension of the regional innovation paradox between urban centres and rural peripheral regions. Nevertheless, the common European setting of structural and rural development programmes and policies to supplement the general striving for research intensive and competitive knowledge economies bears witness to a centre-periphery situation similar to the Danish one.

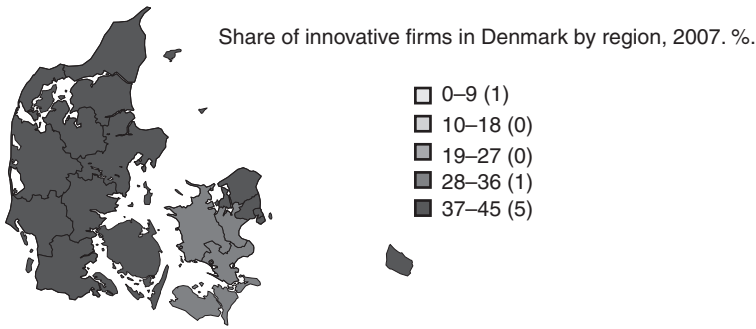


Figure 6.3 Innovation active companies

Source: Statistics Denmark (www.statbank.dk).

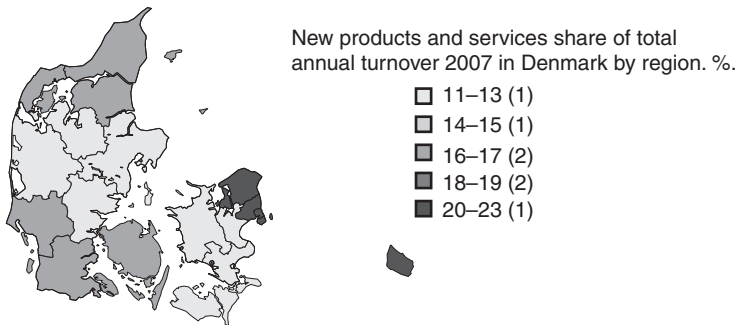


Figure 6.4 Innovation share of annual turnover

Source: Statistics Denmark (www.statbank.dk).

Paradox and systems explanations for innovative activity

There are other sources of knowledge inputs to innovation than research. The innovation systems approach (Lundvall, 1992; Edquist, 1997) captures the role of diverse sources and institutions in open innovation processes, and an explanation of the innovation paradox can be found in a peripheral collaboration pattern that compensates for the low R&D in these areas.

Collaboration and innovation data can also be recorded in the European CIS survey. Data on the shares of innovative firms which collaborate on innovation are presented in Table 6.1 for Denmark by region in 2007.

The data show a more or less equal share and use pattern of collaborative partners across the regions. There is generally a low rate of collaboration with public as well as private research partners and a high level of collaboration with customers and suppliers; this explains why Denmark, with its high share of small and medium sized enterprises, is also considered to have a user- or market-driven innovation system compared to neighbouring countries. The systems may be considered to be

Table 6.1 Partners for innovation

<i>Collaboration partners for innovation (2007)</i>	<i>Denmark</i>	<i>Capital region</i>	<i>Sealand region</i>	<i>Southern Denmark region</i>	<i>Mid-Jutland region</i>	<i>North Jutland region</i>
Companies inside the business enterprise	11	13	7	9	9	8
Suppliers of equipment, materials, components and software, etc.	16	16	9	16	18	18
Customers/clients	15	17	14	13	14	19
Competitors and other companies in the sector	8	9	7	6	7	9
Companies in other sectors, not customers or suppliers	4	4	3	4	4	6
Consultants, technological service and other private laboratories/research institutions	7	8	5	8	5	6
Universities, other higher education and research institutions	7	8	3	7	5	7
Public service providers (hospitals, schools, day care, defence, etc.)	3	4	1	1	3	0
Other public collaboration partners	3	4	2	3	3	4
Total	28	32	20	24	25	31

Share of total innovative firms in per cent in 2007 in Denmark and by region. Source: Statistics Denmark (www.statbank.dk).

relatively strong in the capital and North Jutland regions in terms of the total number of firms collaborating in innovation overall. These regions represent, ironically, each extreme in terms of R&D expenditures and R&D employees. Danish collaboration data for 2008 show the same – more or less – even regional distribution of partners, though the amount of university collaboration among the CIS respondents has increased somewhat across all regions in this year.

Both formal and informal activities of collaboration and networking are important for knowledge flows and learning processes of innovation. The informal links are difficult to capture and, of course, it is difficult to point at exclusive sources for innovation. Innovation activities are not easy to categorise according to types either. A total of 43 per cent of firms are reported as innovative and may be so along different lines and types at the same time; in the period 2005–2007, Danish

innovative firms had 27 per cent of their innovations in organisational innovations, 25 per cent in marketing innovations, 21 per cent in product innovations and 16 per cent in process innovations (Erhvervs- og Byggestyrelsen, 2011).

Regional innovation systems and learning region proximities

While the regional collaboration patterns seem rather uniform in terms of the activity level and economic importance, despite the uneven R&D input in Denmark, in a wider Nordic and European country context regional development and innovation research has paid attention to the concept of regional innovation systems to describe and explain regional diversity in performance but without attention to the regional innovation paradox per se. A literature review of mainstream regional economics and innovation research will illustrate this point, with a few well-chosen examples of reviews and collections.

Regional cluster analysis is the classical approach of economic geography, revitalised by the interest in the competitiveness of nations and regions and evolved into a search for cluster theory to generalise agglomeration economics, localisation theory and industrial districts (Karlsson, 2008). The outcome, nevertheless, is the same series of side-ordered explanations of regional development away from peripheral areas. Dynamics of cluster formation can be seen as a function of increasing collaboration among firms, demonstrated where physical proximity between firms, transactional proximity between firms and relational proximity through centres and networks of knowledge creation and dissemination attract and generate new economic activity (Atherton and Johnston, 2008).

'Regional Innovation Systems' research approaches the subject from the different perspective of knowledge infrastructures, institutions, regulatory framework and policy, where regions are understood as either administrative or cultural entities on a level below the nation state (Cooke *et al.*, 1997). The outcome is a dual and polar typology of a favourable and unfavourable regional innovation system profile along a long list of dimensions. An interesting distinction has been put forward between analytic, synthetic and cultural innovation systems, where the analytic is science-based and spatially clusters industry-university interaction; the synthetic covers mature industries spatially clustering regionally in industrial districts; and the cultural recombines knowledge in urban project cultures (Mariussen and Asheim, 2003). This triad of regional innovation systems, however, seems to confuse descriptions of what is and what ought to be the development strategy for those that fit the typology.

'Learning Regions' research adds a procedural and dynamic aspect to the innovation system approach (Rutten and Boekema, 2007). By means of the vocabulary of social capital research, a regionalisation of social relations has been put forward that stresses differences between business and civic networks with regard to physical distances (Lorentzen, 2007). Tightly coupled business networks are assumed not to be sensitive to distance, while strong ties in civic life are assumed highly sensitive. Loosely coupled temporary business organisations are, on the other hand, regarded as highly sensitive to distance, while weak civic ties are not

sensitive, though more abundant in regions. The tightly coupled business networks, though, are considered more abundant in regions due to their assumed offspring from civic relations and temporary organisations.

A regional paradox on the sub-national level has been addressed in a comparative study of the uneven distribution of R&D funds across European regions. This finding is used to promote higher and more targeted funds for innovation in less favourable regions to compensate for general schemes to the benefit of the richer regions (Oughton *et al.*, 2002). Lagging regions are considered to have relatively lower capacity to absorb public funds for innovation as compared to the leading regions and it is argued this needs to be addressed. The less favoured regions question is explicitly discussed in an EU technology policy context that has shifted from being an understanding as a supply problem concerning lack of research and technology development capacity and mechanisms for diffusing technology, to an understanding as a demand side problem of a lack of receptivity due to weak technological competences, entrepreneurial competences and the learning ability of the firm (Morgan, 2007).

A review of regional science on innovation and proximity research has displayed the research field to have an emphasis on proximity versus distance as an organising principle (Boschma, 2005). Proximity is a relative concept denoting the ease and opportunity of interaction and learning among various actors and has several dimensions which have been touched upon already. Proximity types include cognitive, organisational, social, institutional and geographical. Connected to and bridging across both the spatial proximity of geography and the cognitive proximity of sector and technology, environmental and ecological proximity has been added to the types of proximity to capture relatedness and interconnection to natural resources, waste, emissions, damage and degradation problems as well as solutions and innovations (Lindegaard, 1997).

All in all, research on innovation and periphery is missing, i.e. research on innovations in the periphery against the odds of different distances and absorptive capabilities. The real Danish regional innovation paradox presented here is not present on the agenda and researched. The tools of possible mainstream explanations have been presented, but can the regional paradox of unequal innovation inputs and equal innovation performance really be handled and explained by proximity versus distance or by regional system typologies of innovation strategy and business framework conditions?

Rural development and innovation policies reflect that proximities across sectors and roles are present at the local and regional level, and place matters for interaction and partnerships. The new rural paradigm and the LEADER Programme participatory approach integrated in European agricultural policy, summarised in [Table 6.2](#), might easily be generalised as a conceptualisation of old and new approaches to regional development for industrial paradigms quite general. The policy approach can be applied to various economic sectors when you take a place-based point of view to economic development and innovation.

The participatory approach resembles the long tradition of citizen participation in physical planning decisions and urban renewal projects, where much effort

Table 6.2 Policy paradigms

<i>Rural paradigms</i>	<i>Old approach</i>	<i>New approach</i>
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors or rural economies (ex. rural tourism, manufacturing, ICT industry, etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

Source: OECD, 2006.

today is put on the transformation of public hearings into public participation in the planning process. In Denmark, the local action groups of the participative Leader approach are active with strategies and local project support for rural development in a broad sense in the rural areas of all regions except the capital region. In Danish innovation policy, government gives support to a number of cluster based regional innovation networks in all regions to co-fund R&D project initiation (not operation) and industry-university networking. Here the participatory approach is implemented in the form of broadly organised cluster and inter-cluster participation (firms, regional and municipal agencies, business services, knowledge institutions and business organisations) and private co-funding of organisation and projects. The Danish regions have established growth committees with political and business representatives to develop broad regional development strategies, fund development projects and select regional projects for support from EU structural funds support where relevant.

A critical review of research on industrial dynamics and regional development displays a habitualisation of differentiated rural-urban positions, with the latter appearing in the terms of centre, industrial R&D and high-tech competitiveness and innovation, where aggregate and quantitative studies dominate together with arms-length policy approaches to support business framework conditions including knowledge and research as a public good. On the one hand, we have research on centre-based and high-tech research-intensive industrial dynamics and clusters, which find marginal application to periphery problems and with mixed results. On the other, we have research on peripheral areas and rural development issues with its own approaches and methods to economic dynamics. Here action oriented research approaches emerge together with participatory policy approaches on the micro and project levels. There is a need for case studies to look into peripheral innovation dynamics and the implications of participation in practice. To this we now turn.

Case study: industry and education driven innovation

A case study is presented on educational institutions located in peripheral areas where there has been a positive impact on business innovation and regional development in conjunction with the major Danish cluster for furniture manufacturing. In Mid-West Jutland, Skive Technical Institute has developed the ‘Development Centre for Furniture and Wood’ and, together with Business Academy Mid-West in Skive, new educational programmes in association with the furniture and wood-working industry in the region. On this basis, the Centre has engaged with a wider range of initiatives and services to promote user-driven innovation for the cluster and across clusters in the region (see [Figure 6.5](#)). The case study builds on previous research on innovation in the Nordic periphery for the Nordic Innovation Centre (Aradóttir, 2005; Lindegaard, 2006) and on ongoing research on regional development and innovation in Denmark.

Impacts are found along the line of embodied knowledge for innovation and design across sectors and branches together with cross-fertilisation and cooperation on innovation strategies and projects, development of technical service facilities and laboratories for businesses and a bridging to national research and technical service has only been working to a lesser extent. Impacts have developed over a period from 2001 up to the present in a process of three subsequent public schemes for regional development and innovation support: ‘Growth Environments’, ‘Technology Centres’ and ‘Innovation Networks’ in Denmark.

Skive Technical Institute (STI) hosts development activities in education and vocational training. Related to the furniture industry in the surrounding area, the programme for production technologists (cabinet makers) is relevant and has a long tradition of delivering skilled technologists to the furniture industry in the region. The Danish wood and furniture industry faces strong competitive pressure, especially from East European and Asian countries. Unskilled and low skilled employment has been steadily falling over the last decade. The industry has an important economic role in the middle and western parts of Jutland. The wood and furniture sector, at the same time, is characterised by low levels of education



Figure 6.5 Education-driven innovation in the Mid-West Jutland furniture cluster

Source: Statistics Denmark (www.statbank.dk).

and formal skills and a relatively low level of research and development activities. Consensus has developed on the need to focus on change and innovation in the industry by means of knowledge transfer, development of workforce competences, and education of new types of employers. The idea of an innovation centre for the wood and furniture industry is to build a creative and visionary learning environment for the industry and promote cooperation between companies and educational, knowledge and research institutions.

STI has a long tradition of running the ‘Production Technologist’ programme – a two-year study with a specialisation in plastics, metal and wood and furniture. Emphasis is on practical knowledge on materials, process management and logistics with company contacts, a mentor arrangement between each student and a company and project work at the company. Around twenty-five students start annually. With this programme the STI and the development centre has built:

- ‘*Innovator*’ – a two-year study with specialisations in design/product development, trend/marketing, process/logistics, offered to students at high-school level of education. Eight students graduated in 2005.
- ‘*Innovation-designer*’ – a 1.5-year course with modules on the idea phase, the construction phase and the pre-production phase of innovation, offered to employees in the furniture industry with some years’ experience.
- ‘*Mini-Furniture Cup*’ – a project on product and design development with production technologist students at STI, students of architecture and design at Aarhus School of Architecture, and a local furniture manufacturing company on furniture innovation with integrated innovation education programme for participants. Manufacturing firms sponsor the project.

These new educational initiatives build on a ‘value chain’ conception of the phases and elements of manufacturing. The new initiatives add and integrate in a practical way the design and innovation component to the traditional elements of competence for production technologists.

Besides the specialisation of the production technologists within innovation and design, the STI and the development centre have developed a ‘HTX Design College’ at the high school level; a five-week innovation project for design students at the universities/architectural schools; projects with design schools in other Nordic countries; and, together with the regional growth environment for the aluminium industry ‘AluVækst’, a concept on the use of aluminium in the furniture industry. This project has involved professional designers and aluminium and furniture producers.

The development centre has worked with smaller projects, organised workshops and continued education of those employed at the companies and of teachers. Here an ‘innovation model’ developed by the Danish Technological Institute has found wide application in team work, where ‘knowledge’ meets ‘non-knowledge’, and ‘concepts’ meet ‘relations management’ in the design of new products. The Centre has developed a web-based education system with modules on construction, surface treatment and mass production. A training programme for teachers

and for Dansk Byggeri (Danish Construction Organisation) has been implemented and a homepage database service with information on wood materials has been developed. Knowledge transfer activities include courses in logistics and sourcing, workshops and conferences for furniture and wood working companies, the establishment of ‘experience groups’, collaboration on export promotion, etc. The Centre has also developed and tested a ‘make/buy-model’ – an IT tool for evaluation of whether to produce in-house or purchase from suppliers.

The relationships between the actors, especially the local and regional actors, are both formal and informal due to various proximities. The business service centre activities (thematic meetings for managers in the region, study tours and export promotion initiatives across industrial sectors) are important examples of ways to enable the businesses to interact on a formal-informal basis. The ‘triangle’ of interaction between the firms, the STI and the development centre is the core of the good practice of competence-building for innovation in the furniture industry in the Mid West Jutland. The knowledge flows in the ‘triangle’ consist both of codified knowledge and more tacit and skill-based knowledge embodied in the people, who move from the school to the firms. The up-scaling of the flows are due to the funding provided by local, regional and national authorities to the development centre, and from here to the STI activities. There are also commercial knowledge flows between the firms, STI and the development centre, as the firms provide private funding to some activities. The firms’ self-financing of their involvement in cooperative activities should not be disregarded as the firms’ interaction – both formal and informal – with the other actors of the innovation system (suppliers, customers, etc.) must be recognised.

The STI initiatives have built practical skills and training in innovation work for the production technologist students entering the wood and furniture industry. They have also created a broader awareness of the importance of design and innovation for competitiveness in the industry, creating a stronger knowledge base and networks for knowledge dissemination. By means of the student project work and the ‘Furniture Cup’, it has participated in the development of new products and production processes in local firms. Overall, these initiatives have contributed to economic growth, competitiveness, employment creation and population growth in the region.

The case study findings and conclusions point to important lessons for rural and regional development with policy implications. The necessary focus on the role of educational institutions for regional development is confirmed, here in the area of upper-secondary education and vocational training in the rural areas. The schools and educational institutions can play an important role due to their geographical proximity as well as their possible bridging role between practical knowledge and research and technical expertise. This insight is developed in an ongoing project on education-driven innovation with CELF, a school for vocational training and education in the South Sealand region and University of Southern Denmark, together with private companies and the municipalities of Lolland and Guldborgsund on Sealand 2010–2013 (Lindegaard, forthcoming).

The findings also suggest a more general discussion of the role of proximity for innovation and regional development. The case study gives an example of how the promotion of proximity in space, localised learning and embodied knowledge transfer in the furniture cluster has evolved into inter-cluster organisational and cognitive proximity with other sectors in the region around innovation in design and materials and the technological proximities involved here. The development centre is at present engaged in an innovation network project on ‘lifestyle’ together with the textile industry and knowledge actors in the region. This suggests a choice between strategic avenues for business development: interaction with research and universities or interaction across business sectors and clusters. Distance may be shorter in the latter case. This education-driven innovation process challenges the mainstream approach of research-driven innovation.

Case study: Tourism and citizen driven innovation

Next, research is presented on three case studies with local communities located at peripheral coastal areas in Denmark (see [Figure 6.6](#)).

The project ‘Local Growth Strategies’ for settlement and employment via the experience economy was prepared in 2007 and carried out over 2007–2008 as a partnership between the consultants IC Byfornyelse, Esbjerg and the Institute for Rural Research and Development, University of Southern Denmark, together with the municipalities of Fanø and Guldborgsund with funding from the Ministry and Welfare and the Ministry of Economy. The core idea was to experiment with how to integrate urban renewal with settlement and business development issues. Two small coastal towns were engaged in the experiment: Nordby at Fanø island, a municipality at the south west coast of Jutland, and Gedser in Guldborgsund, a municipality in the south of Falster island south of Sealand (Lindegaard, 2008). Recently a similar development study has been added with the town Højer and the municipality of Tønder on the south-west coast of Jutland in Denmark, close to the German border (Lindegaard, 2010). All three town communities have

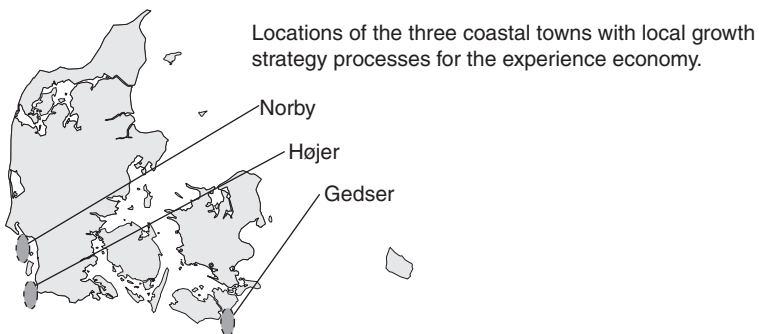


Figure 6.6 Citizen-driven innovation in coastal towns

Source: Statistics Denmark (www.statbank.dk).

experienced a long period with a lack of employment opportunities, a falling and aging population, and physical decay of buildings and infrastructure. Each has a rich heritage of natural and cultural amenities, but a sparse and weak tourism and hospitality sector.

Fanø is located at the top of the Wadden Sea and with a ferry connection to the larger city of Esbjerg. It is an independent municipality with a total of around 3,500 inhabitants and acts as a residential area for those employed in Esbjerg and surroundings, besides being home for summerhouse tourism with its long and broad sandy beaches and dune landscape. There is rich sea- and bird-life at the island. Gedser is located at the south of the island of Falster with approximately 1,000 inhabitants (connected in the north by a bridge to Sealand) and also has a rich sea- and bird-life along its coastline with dikes and beaches on the east side and cliffs at the west and south. The south tip of Denmark is located here. Gedser has a ferry connection to Rostock in Germany carrying trucks handling goods and private cars with tourists between Denmark and Europe. North of Gedser is a major summerhouse and tourist area, Marielyst on the east coast. Højer is located by the Wadden Sea and separated by dikes and marsh land with a rich bird life and 'black sun' phenomenon in the autumn, where birds from the whole of Scandinavia meet before going south for the winter and perform spectacular sceneries in the sky. Højer has approximately 1,200 inhabitants.

Fanø has a rich history with old harbours of fishing, Atlantic trade and ferries. The cultural life is preserved in historic buildings and at the local museum. Today the island has a complete civil life with many active local associations. Fanø has attracted artists and handicrafts. Gedser's history is dominated by the establishment of the railway connection to Copenhagen and the ferry harbour to Germany dating from the beginning of the twentieth century. The railway installations and the buildings from this time are preserved. Today, the town has many active local associations and a private museum for fossils. Højer has a rich history in a unique natural setting and was been a trading point in the Middle Ages. It has a rich building heritage. The town has formerly been the centre of its own municipality and contains many public welfare services and two special boarding schools.

The project interlinked action-oriented city planning and participatory business development. This was based on a conception of innovation in the local experience economy through an interplay between local actors and resources. Business actors (tourism firms and others) integrate with cultural actors (organisations based on cultural products and services) for the activation of civil society resources (associations and identity), together with nature and cultural values in an area (physical resources). Resources and actors overlap each other in specified locations. Both actors and resources can play a role in the experience economy as they can be affected by the activities. The essence is that it is the actors who draw resources into the experience economy, while the resources are considered passive in this sense. The actors can either be active in this development or passive, i.e. they use resources but do not invest in innovation and development of the resources. The local experience economy is embedded in a municipal, regional and national governance context of policy and regulation, which can either

promote or be a barrier for the development of the local experience economy and activation of the resources. The project model developed in the process implies that cooperation among the actors (business and culture) can enhance the development of the experience economy. The actors can meet around the activation of resources for business and settlement purposes.

This local resource activation model was developed for and through the experimental project and is operational in a three-step process of, first, mapping present local resources and actors according to type; second, analysing strong and weak connections and interaction between actors and resources; and, third, guiding mobilisation of local actors for participation in partnerships for innovation. The project developed as a joint and parallel process between participatory planning and research during the period June 2007–April 2008 in Gedser and Nordby. It was an open process of participation for the town community in question, enabled by an advisory group to the project with a broad range of representatives from local community-based associations, the municipality and the researchers. The research component of the project took advantage of the place-based approach of the planning component. The place, i.e. the degraded areas and buildings of the town, was the point of departure for dialogue on the development of its ideas. Hereby attention was directed to the places in the town and its surroundings, with the potential of becoming active resources for the experience economy.

From a large catalogue of ideas for the community produced at the beginning of the process, project ideas were selected in focus groups on the criterion that the relevant actors, i.e. owners, resource persons, etc., were interested in meeting and collaborating on the project. It happened – and was a research aim – that all possible dimensions were activated in the process. At both Fanø and in Gedser and Højer, a number of local partnerships were established around local projects.

The local partnership projects at Fanø were about developing: a private swimming pool resort, a golf course and a public indoor sports arena for the benefit of both tourists and inhabitants; a holiday resort area, Fanø Bad, into a market area for local handicrafts and restaurants, in combination with physical renewal and decoration by local artists; beach activities; and a public area at the yacht harbour to be used for cultural activities to the benefit of both tourists and residents. In Gedser, local partnerships were established to develop: a public indoor sports arena for the benefit of both tourists and inhabitants; an art and nature exhibition centre at the south point; a South Sea water activity centre at the fishery harbour; activities around a restored historical canal at the neighbouring village, Gedesby; and a culture and activity centre in town, at the old school for the benefit of tourists and residents. In Højer, partnership projects have been established on the central idea of a permanent market place (indoor and outdoor) for locally produced food products, Wadden Sea products, handicrafts and art works. Other projects aim to activate the old harbour place at the Vidåen stream for water sports and leisure together with one of the local schools, and another to transform empty shops in town into design galleries for another local school. The former city hall is transformed into a citizen house and the town square has been renovated here during 2010.

The partnership projects are all unique and innovative in the sense that they are products of local initiative, where different local actors have come together to develop and turn the local resources into assets for the experience economy and development. Each project involves place-specific design and innovation. In this way all actor and resource types were represented in the areas. Local business life was combined with local cultural life on both civil society resources and the nature and cultural amenities of the place in question. The 'Local Growth Strategy' experimental project moved further on from the individual projects to a unifying concept for a local growth strategy presented in open dialogue with the community at citizen meetings. In the case of Gedser, the strategic concept is 'South Sea Point – Nature and people in movement'. In the Fanø case, the concept is 'Art Island – Quality in peace in the Wadden Sea'. In the Højer case, the strategic concept is 'Market and Meeting'. The local growth strategy gives an overall concept or brand for the individual projects in order to create synergy among them and to immunise the whole engagement against failure of individual projects to be realised.

The projects and the strategy are all firmly based on initiatives concerning physical renewal of buildings, roads and traffic infrastructure with the municipality as a key actor (planning authority and investor). The projects further depend on a key overlaying project initiative involving the municipality together with owners and stakeholders, which can lift the individual project initiatives into a common strategy. While urban renewal traditionally confines itself to physical renewal, these cases show that it is possible to engage and commit local actors to a broad variety of project initiatives, with possible employment creation potential without compromising living conditions and community quality of life.

Gedser is at present in the process of making the projects become real with financial support for urban renewal from the government and Guldborgsund Municipality, and support for business development from the Local Action Group (LAG – a local decision-making board for the European LEADER funding scheme for rural development). Fanø Municipality has as yet not been able to allocate the necessary co-funding to engage in urban renewal with the government, but the LAG is promoting individual projects. Højer, from the start, has been engaged in urban renewal with municipal and government funds. The next step for both these areas is to attract private investors to engage in business development along the lines of the strategies.

Conclusion: peripheral dynamics – for periphery and centre

In summing up the findings presented here on Danish regional innovation activity, the periphery is characterised by relatively low R&D expenditure, average innovation activity, low collaboration with research, and a high weight and importance of collaboration with customers and suppliers. When the periphery is compared with the centre, a paradox becomes apparent: the centre has a large input of R&D, but more or less the same innovative performance and use of collaborative partners – the peripheral paradox of equal innovative performance with lower

R&D input. This regional innovation paradox has not been neither addressed nor explained by regional innovation research, where the input–output paradox is captured in a research–industry linkage perspective (Cooke *et al.*, 1997; Muldur, 2001; Oughton *et al.*, 2002; Dosi *et al.*, 2006; Morgan, 2007; Edquist, 2010).

Along the lines outlined in the case studies presented here on specific peripheral dynamics in furniture manufacturing and the experience economy, respectively, open and participatory approaches have activated new actors as partners in innovation collaboration. In the furniture case, the technical institute for vocational training has developed special components on innovation for their production technologists. In the experience economy cases, the local citizens and associations have engaged in product and service development together with the local tourism actors. These cases of peripheral dynamics are place-based and not captured in the innovation input surveys as expenditures.

How specific are the dynamics of the furniture industry? On the one hand, the development of education as an innovation driver is based on a long-term tradition of collaboration between local furniture firms and the vocational training institute, with low distance in physical and cultural terms. On the other hand, the educational initiatives on innovation have spread in various forms to the vocational sector all over the country (large cities and the capital area included) and are starting to be applied within other sectors of manufacturing as well as services.

How specific are the dynamics of the local experience economy? The tourism sector is well known for its lack of collaboration between its often small and diverse actors, which is why collaborative inputs from new groups of actors with a local base may be easier than in the case of other business sectors. Furthermore, the physical and cultural proximities associated with a specific locality, a community, may explain why citizen involvement in business development is at all possible.

It is important to note that, in both cases, brokers have been active in promoting the processes. In the furniture case, a regional development and innovation centre has been set up and evolved with public co-funding to promote networking and innovation. This centre grew out of the vocational training institute to meet the competitive challenges faced by the furniture cluster. In the experience economy case, the municipality, together with private consultants and researchers, has been involved in the process with public co-funding for urban renewal projects. These brokers have been able to guide the processes to the extent that the local citizens and associations have been able to organise themselves and strategise.

Distance and periphery are not detrimental to innovation. Peripheral location and implied proximities and distances can favour local openness and readiness for new innovation strategies and collaborative partners, as in the manufacturing and service cases presented here. Proximities across sectors and roles are present at the local level and place matters for interaction and partnerships. In a sense, there are cases of both regional and local dimensions of innovation systems and certainly cases of learning regions and localities. The case studies complement the aggregate statistical picture of the regional system by adding insights into new innovation dynamics to the picture. If they should serve as the

basis for conceptualising regional systems characteristics with normative implications, the message must be that the periphery needs support to strengthen their own education and citizen dynamics on the account of promotion of research-driven innovation.

The open and participatory approach to innovation outlined in the peripheral cases is also relevant for the centre, where employee-driven and strong user/supplier and research-driven innovation is to be complemented with stronger education-driven and citizen-driven innovation practices (see Table 6.3 on innovation drivers and policy learning opportunities).

Citizen participation in innovation in urban centres meets the challenge that the principle of spatially organising the locality and the community is difficult to realise in larger urban environments, and supports why citizen-driven innovation may be considered as a special peripheral phenomenon. Just as there are structural barriers for stronger research-driven innovation in the periphery, there are structural barriers to stronger citizen-driven innovation in the centre, because of the physical confusion and cultural distance. Nonetheless, the centre can learn from the peripheral dynamics and has already started doing so in the case of education-driven innovation, where vocational training schools and institutes have taken up the idea and, in different ways, have been embedding practical skills in innovation in their programmes together with companies. So, why should the centre not also learn to design ways and means for citizen participation in innovation along the lines of, for example, extended user interaction?

From an evolutionary perspective, peripheral dynamics point to the need for true procedural taxonomies of ‘centre’ and ‘periphery’. The regional innovation paradox leads to the search for open-ended processes of peripheral dynamics to be captured in future business strategies and regional development policies. This is in line with extending the new rural paradigm (OECD, 2006) to all sectors and

Table 6.3 Drivers for innovation and centre-periphery policy learning

<i>Innovation drivers</i>	<i>Centre</i>	<i>Periphery</i>
Employee	+	+
Users	+	+
Suppliers	+	+
Competitors	+	+
Research	+▶ -/+
Education	-/+	← +
Citizen	-/+	← +

Notes: Strong (+), weak (-) and mixed (-/+) innovation drivers.

————▶ : New innovation drivers from periphery to centre.

.....▶ : Innovation policy driver from centre to periphery.

places: a new economic paradigm for competitiveness for all sectors and with actors at all levels and types as key for development. The peripheral dynamics questions the mainstream research-fix approach and suggests increased efforts for education- and citizen-fixes in regional development. Innovation systems are not merely regional but, from the firm perspective, a mixed geography of local, regional, national and international knowledge and innovation, hence, with people- and place-based local and regional dynamics.

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7 Nations and regions in Northern Europe

Mike Danson and Peter de Souza

Introduction: defining the north

As is highlighted in and by all the chapters in this book, the fuzzy concepts of peripherality and marginality carry intricate burdens of complex multidimensional appearances. Not only that, the way they appear, how they are recognised, described and experienced is in a constant flux. Time, context and the observer continuously present different pictures of the concepts when in active, functional utilisation. What is possibly a constant is that the way to approach a confirmation of the concept has to start with an indication of the relative position of the present in comparison with other times, places, actors/observers, earlier confirmations and opposing definitions.

This takes us to the designation of the Northern dimension, the subject of this volume which is being considered as a special case. Evidence shows that this designation carries three interlinking, explanatory aspects. North as a direction;¹ North as far away (this also comes with some meanings of remoteness, cold climate and, possibly, sparsely populated which are all ‘taken-for-granted’; or even more drastically: ‘a vast emptiness’). The characteristics of remoteness and emptiness also appear in the most common definitions of the concept of periphery itself. The final meaning is a geographical designation of an area encompassing the Scandinavian countries (sometimes only specifying the northern parts of these countries), Iceland, parts of Scotland and Ireland. Looking, in passing, at the first explanation, it is not easy to capture as it carries a complex structure of cultural opposites in the form of Centre and South (briefly where the action is, warm and habitable). The former are areas essentially different and, by way of consequence, incomparable to any other region in Europe. The second carries the dimension of accessibility, or rather lack of it, mostly in terms of market-relations (Glöersen *et al.*, 2006: 1). Finally, and most important, is the geographical North, defined and designed by the Northerners and the administrative structures of the EU. This North appears only partly documented by examples in other chapters of this book, and this imbalance will be approached tentatively in this chapter.

The periphery in context: European images and policies

Among the many preconditions influencing the status and process of peripheral development in Europe stands the self-image of the EU, or rather the images. So, some words on issues in this sphere seem relevant. The heritage of colonialism and imperialism, globalisation and competition with the Pacific countries and especially the United States of America is a wide scope indeed. As for the former, the historical role of 'discovering' the world, bringing civilisation to the heathens and creating an economic, social and cultural nucleus, still stands as a cultural basis for Europe's perceived role in the world. In parallel, the colonial and imperialistic phase also brought elements of internal strife and continuing competition within, creating negative consequences for economic and social processes of today. On account of the reality of growth trends elsewhere being more dynamic and long-lasting, there is an increased focus on the world-wide economy and community so reducing the internal priorities in favour of the advantage of mobilising resources at the European level for the international market, both in trade and investment. So, all-out efforts in this direction have to be translated into a focus on substance in volume and quality. Therefore, many of the latter-day agreements within the community are focused on the issues at stake now. Earlier agreements and treaties and, as a crown jewel, the Lisbon Treaty with its famous orientation towards innovation and R&D established this domination of the competitiveness agenda, based on the knowledge-driven economy.

Although the primary concern in the establishment of the Coal and Steel Union was to create some kind of regularised security zone, this involved the introduction of complementary regional policy issues. Basic consequences of structural changes in the labour market, and the implicit consequences of changes in the list of regions as to fortunes for the future, made that necessary, i.e. the need to handle regional disparities. The Treaty of Rome (1957) established the European Social Fund and the European Investment Bank as elements in this process. Up until 1975, however, there was not much of a defined common regional policy in the EU. It was generated indirectly, through the establishment of the Investment Bank in 1958, the Social Fund in 1960 and the Agricultural Fund in 1964. It was, however, the Single Market Act (SEA) (1986) that set in motion the development of coordinated Community and national measures to meet the objectives of economic and social cohesion (Brunazzo, 2010: 292). The idea was that, with structural changes within the Community, there was a need to compensate and stimulate regions which were lagging behind. Although part of the basic policy from the start, there were certain aspects in the development process that defined a direction and momentum from that point, both in more general impacts on the regions and in the initiation of special organisational structures and programmes.

When the United Kingdom became a member in 1973, one of the consequences of the negotiations was the establishment of the European Regional Development Fund (ERDF) (1975). This followed from the United Kingdom having the distinction of becoming a net contributor of substance to the European Union (EU) budget at the same time as its internal economy showed signs of strain, with conditions in

certain of its regions being acute with high unemployment due to an old industrial structure. From 1989, the Structural Funds were increased substantially, due to the enlarged membership consequent on Greece, Spain and Portugal joining. Resources were distributed in the form of programmes instead of project allocations in Brussels.

When Sweden and Finland joined in 1994, special treatment for their northernmost regions was defined with a designation within the structural funds. Defined by their remoteness, climate and sparse population these regions needed special attention which was organised through a new Objective 6 of the Structural Funds. This was very clearly raising the dimension of a special form of peripherality and designating a special problem; a special area definition that, in general terms, has prevailed.

The word cohesion stands as a substantiated nucleus of political thinking, where the issues of balanced levels of economic development and welfare aspects of society are addressed jointly. In particular, Article 2 of the Maastricht Treaty states the goals of the EU as incorporating the promotion of harmonious and balanced economic development, stable, non-inflationary and sustainable growth, convergence of economic performance, high levels of employment and social security, improvement of the quality of life, and economic and social coherence and solidarity between the member states. As discussed in the introductory chapter of this volume, peripherality, or marginality, has been projected as a negative condition, defined as being on the edge of a specified territory and remote from an important central 'core'. To take care of 'distance' through improved communication lines (infrastructure projects) has become a strategic focus for the EU. The Trans-European networks in the fields of transport, communications and energy (TEN) are the infrastructural development base for combining the free movements of the market with the economic and social cohesion objectives; these exemplify the general ambitions for linking peripheral areas with more central and active market areas of the Union. This is also clearly reflected in the European Spatial Development Perspective (Glöersen *et al.*, 2006: 89).

In the processes inherent to the last enlargement of EU membership, the new Eastern European members have had a fundamental impact on the material orientation of the budget allocations: inevitably with regional connotations. With consequent increased gaps among the economies of the member states this has also indirectly changed, although this is not explicitly stated, the definition of peripherality used in the considerations of regional geographies. What can be seen in this outline is the successive appearance of an explicit and multifaceted regional policy. Within that policy we can also discern changing priorities indicating changes in the designation of specific regions. Ultimately, that means that we cannot follow the trajectory of our conceptual interests in peripheries and marginal areas, as in practice their meaning has constantly changed in this process.

There is a case for discussing the impact of the EU on the space of Europe by following how the balance between policy issues at the national regional levels has developed; the priority on the lower levels, in a way, tends to be reduced when membership appears on the agenda. But, in other ways, the scope for regionally defined agendas found a new impetus. Even before joining, an adaptation process has been evident. For example, previously in Sweden the regions appeared as

Table 7.1 GDP per capita based on purchasing-power-parity (PPP) (US\$)

Rank	Country	2008	2009
1	Luxembourg	82,092.79	78,409.47
2	Norway	52,870.12	51,985.27
3	Ireland	41,827.03	38,685.48
4	Switzerland	41,404.71	40,483.52
5	Netherlands	41,322.68	39,877.23
6	Iceland	40,634.99	37,852.86
7	Austria	39,889.11	38,566.99
8	Sweden	37,877.81	35,950.80
9	Denmark	37,511.85	35,827.88
10	Belgium	36,339.41	35,534.03
11	Finland	36,205.27	33,444.70
12	United Kingdom	36,078.78*	34,388.039*
13	Germany	35,655.90	34,387.68
14	France	34,177.81	33,434.27
15	Spain	30,858.36	29,625.481*
16	Italy	30,558.39	29,068.199*
17	Greece	30,227.37	29,839.20
18	Slovenia	29,574.09	27,469.75*
19	Cyprus	29,022.69	28,503.71
20	Czech Republic	25,092.36	24,270.70
21	Malta	24,167.65	23,667.41*
22	Portugal	23,081.55	22,670.68
23	Slovak Republic	22,043.88	21,244.92

Source: IMF World Economic Outlook (WEO) database <http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx> (accessed 11 May 2011).

Note: * indicates IMF staff estimates.

something more than just administrative entities, more of a container and model for economic growth and realisation of regional balancing. Membership meant a number of constraints on such national policy choices, and when EU cohesion policy came to the forefront – the general EU project and its basic ideology being a matter of background contention – it rocked the boat in both directions at the same time. So the importance of regions in Sweden, for instance, became more ambiguous and the jury is still out on how this has balanced out. Explicitly,

the growth orientation of regional policy became much more prominent at all levels, while regions had more direct access to Structural Funds and the Leader programme, exemplifying the complexity of these trajectories. There was a concomitant accentuated focus on the role of the region as the space and forum for autonomous activities vis-à-vis the EU central authorities.

Statistical comparisons across the Northern periphery: an arc of prosperity?

However measured, whether in terms of income or GDP per head, happiness, quality of life, rates of innovation, political and social freedom and stability, low levels of inequality, or gender balance, the Nordic countries individually and collectively rank at or near the top of any global ranking. [Table 7.1](#) confirms the high GDP per head across the region, while the quotes from Forbes.com and Levy accompanying [Tables 7.2](#) and [7.3](#) underpin their high performances across key quality of life indicators.

Table 7.2 The world's happiest countries (Gallup World Poll 2010)

<i>Rank (by % thriving)</i>	<i>Country</i>	<i>Region</i>	<i>% thriving</i>	<i>% struggling</i>	<i>% suffering</i>
1	Denmark	Europe	82	17	1
2	Finland	Europe	75	23	2
3	Norway	Europe	69	31	0
4	Sweden	Europe	68	30	2
4	Netherlands	Europe	68	32	1
6	Costa Rica	Americas	63	35	2
6	New Zealand	Asia	63	35	2
8	Canada	Americas	62	36	2
8	Israel	Asia	62	35	3
8	Australia	Asia	62	35	3
8	Switzerland	Europe	62	36	2
12	Panama	Americas	58	39	3
12	Brazil	Americas	58	40	2
14	United States	Americas	57	40	3
14	Austria	Europe	57	40	3
16	Belgium	Europe	56	41	3
17	United Kingdom	Europe	54	44	2

Source: <http://www.forbes.com/2010/07/14/world-happiest-countries-lifestyle-realestate-gallup-table.html> (accessed 11 May 2011).

Table 7.3 UN Human Development Index – 2010 Rankings

*Very high human development
(top 26 countries)*

Norway
Australia
New Zealand
United States
Ireland
Liechtenstein
Netherlands
Canada
Sweden
Germany
Japan
Korea (Republic of)
Switzerland
France
Israel
Finland
Iceland
Belgium
Denmark
Spain
Hong Kong, China (SAR)
Greece
Italy
Luxembourg
Austria
United Kingdom

Source: <http://hdr.undp.org/en/statistics> (accessed 11 May 2011).

The latest Gallup World Poll indicates that the Nordic countries, with their social welfare states and relative affluence, must be doing something right.
(Forbes.com)

The five happiest countries in the world – Denmark, Finland, Norway, Sweden and the Netherlands – are all clustered in the same region, and all enjoy high levels of prosperity. ‘The Scandinavian countries do really well,’ says Jim Harter, a chief scientist at Gallup, which developed the poll. ‘One theory why is that they have their basic needs taken care of to a higher degree than other countries. When we look at all the data, those basic needs explain the relationship between income and well-being’.

(Levy, 2010)

For Scotland (which tends to be close to or below the United Kingdom averages for such indicators) and Ireland, following a more Anglo-Saxon model they appear further down these comparative statistics and so do not benchmark well against their northern neighbours. As the quotes above suggest, the lower levels of inequality and stronger welfare states in the Nordic countries go far in explaining their combination of better standards of living and higher perceived quality of life.

Undoubtedly, the financial, banking and consequent economic crises of the last few years have impacted on all parts of the globe, but especially on certain small open economies. Nevertheless, most of the Nordic countries have been fairly resilient through this period (Gylfason *et al.*, 2010). By contrast, Ireland has suffered a significant economic disruption (Lenihan, 2011), Scotland has been hit within the United Kingdom’s downturn, and superficially Iceland has been on a similarly very negative course to Ireland. However, as the history of Iceland in particular, but the Nordic countries more generally shows – confirmed by Gylfason *et al.* (2010) focusing on this – under a true definition of ‘resilience’ (Christopherson *et al.*, 2010) there is an expectation that recovery will be achieved within a reasonable period.

Provided that governments are able to take the decisions needed to safeguard competitiveness and the sustainability of public finances, the Nordic model can be both robust and resilient. The Nordic welfare state, the labour market institutions and the educational system are not the source of current problems. Quite the contrary, the Nordic model, rightly implemented, is part of the solution.

(Gylfason *et al.*, 2010: 30)

For small open economies like the Nordics, a system of well-functioning multilateral institutions of global reach is of particular importance.

(Gylfason *et al.*, 2010: 31)

As with any national economy, within the countries of the northern periphery, there are regional variations in development, performance, institutions and resilience. Nevertheless and in contrast to the relative positions in their Celtic comparators, 80 per cent of the Nordic regions have rates of GDP per capita above the EU average although only 60 per cent are above average on levels of productivity, suggesting further improvements are possible in both indicators. These

statistics are partly explained in terms of the differential regional performances between core and periphery within each country:

The capital regions, together with some larger city regions, are performing well, while a negative development is found in many rural areas. Even if overall regional polarisation slowed during the previous decade the Nordic countries and their regions still display different preconditions in their attempts to meet future challenges.

(Lindqvist, 2010: 13)

In exploring the reasons for this tendency for the management of policies to diverge, undoubtedly entry into the EU for Sweden, Finland, Denmark and Ireland has led to much stronger, explicit regional strategies, programmes and policies (Lindqvist, 2010). Scotland has long been an innovator in regional economic development policies and, since political devolution in 1999, has promoted an enhanced regional agenda internally (Newlands *et al.*, 2004). This consensus on the need for intervention at the regional level extends to both Norway and Iceland which, despite not being members of the EU, have been influenced by European policy formation constraints due to their common membership of the EEA.

Consistent with developments across western Europe (CEC, 2010), since 1990, according to Nordregio (Lindqvist, 2010: 23), ‘there has been a discernable shift in focus in regional policy strategies in the Nordic countries from redistribution and state intervention to the promotion of a stronger focus on endogenous growth strategies’; these re-orientations parallel those across the EU. Innovation strategies and interventions have been notably progressed across all the Nordic and Celtic countries, while administration changes have been introduced almost universally to improve policy delivery over this period also.

By 2007, the beginning of the latest funding period for Cohesion and Structural Funds, the Enlargement of the EU and the genuine relative improvement across the member states of northern Europe meant that none of their regions qualified for maximum support under Structural Fund policies (CEC, 2011). Of those regions which had received significant support and funds before then, the Highlands and Islands of Scotland benefited from a phasing-out system which covered those regions which would have been eligible for funding under the Convergence objective if the threshold of 75 per cent of GDP had been calculated for the EU of 15 (pre-2004 Enlargement) rather than 25. Similarly, the Border, Midland and Western region of Ireland and Itä-Soumi in Finland were eligible for transitional assistance under the ‘Competitiveness and Employment’ objective of the cohesion policy. All of the rest of the northern European periphery within the EU was covered by a matrix of territorial cross-border co-operation, trans-national co-operation and inter-regional co-operation programmes (CEC, 2011). Some of these initiatives also include non-EU countries and Norway, Iceland and the Faroe Islands in particular. Programmes specific to each region across the northern European periphery, with both ERDF (European Regional Development Fund) and ESF (European Social Fund) elements, are the vehicles for EU, national and

regional contributions to investment in projects focusing on such dimensions of the economy as human capital development, business growth, urban regeneration and rural development (CEC, 2011).

Distinctions among the peripheries: dimensions of peripherality and marginality

Following the conceptual description and explorations in the introductory chapter, the easiest way to approach and describe the designation of peripherality in the EU context is to be found in descriptions by Eurostat on such regional issues as peripherality in statistics and maps, rurality in different distinctions, earmarked issues of border regions, islands and mountain areas, and, finally, of specially designated areas like the notion of the Northern Sparsely Populated Area (NSPA) and the distinction of the Northern Periphery.

Aspects of peripherality, approached from the rural dimension, are covered in the Rural Development Policy 2007–2013, with special priorities linked to Less Favoured Areas (LFA). The relations between the concepts of ‘rural’ and ‘peripheral’ are discussed elsewhere (de Souza, 2010). Briefly, however, it is argued that there are many similarities when it comes to substance. LFA indicates that agricultural activities are difficult because of natural handicaps like climate, mountain areas with steep slopes or areas with low soil productivity. Due to the reality of economic preconditions, this can result in a potential loss of highly valuable rural landscapes.

Highlands, islands, border and outermost regions are noted in the constitutional law of the EU, Article III-116. A special orientation of policy and economic allocation has also focused on the peripherality of border and cross border regions. The INTERREG programme and, latterly, the Neighbourhood Programme have addressed special issues in this sphere. Border regions, as a distinct grouping within the EU, are found in the Association of European Border Regions (AEBR) – <http://www.aebr.net/>. A similar organisation is set up to represent the highland and mountain regions – Euromontana (<http://www.euromontana.org/>).

The European perspective is embedded in the notion of ‘NSPA’, which has come to exist as a result of economic and institutional integration in the European Union and in the European Economic Area (EEA). The regions of North and East Finland, Northern Norway and Sweden appear in a way as a self-defined macro region, with special and recognised connections with Brussels (Glöersen, 2009: 10).

The issue of the Northern Periphery distinguishes a European area of cooperation for the Scottish Highlands, the four most northern counties of Norway and the former Objective 6 areas of Sweden and Finland. The designated area is defined for special programmes for subsidising services in sparsely populated areas, business development and sustainable resource utilisation. The Northern Periphery programme is financed by the EU with the main office located in Rovaniemi, Finland; coverage is Finland: all Objective 6 areas and adjacent areas in the regions of Pohjois-Pohjanmaa, Keski-Pohjanmaa and Pohjois-Savo; Sweden: all Objective 6 areas and adjacent coastal areas; UK: Scotland, with particular

emphasis on Highlands and Islands (Objective 1) and adjacent Objective 5b areas of North and West Grampian and Rural Stirling and Upland Tayside (partly Objective 1, partly Objective 2 and Objective 6); non-EU member states: Norway (four northernmost counties: Nord-Trøndelag, Nordland, Troms and Finnmark); and participation of other North Atlantic countries such as Iceland may also be possible on a project by project basis (Iceland, Faroe Islands, Greenland, North West Russia).

The North and the Northern countries/counties

What can be discerned so far from the discussion in this chapter is some ambivalence in defining the North, and the further complications of linking it with peripherality and marginality. We are now venturing into fragments within the specific countries, which one way or another highlights the problem of peripherality, its treatment and its many faces. That there are differences of, primarily, an organisational/administrative and cultural character seems self-evident; but there are differences in regional policy as well, though with much less distinction. One of the more evident of such divergences is in the priorities in Norway to preserve the settlement system, especially, as we have seen, under the impact of the EU. The forces to promote policy coherence across the EU are transmitted via its structural funds in a quite thorough manner and, as here, not only on the members so that the same processes appear in the case of Norway. However, the definition of the problem of peripherality returns, often enough, to the same basis of sparse population, remoteness, incomplete economies and, if one dare say it, low priority. The situation in each of the countries of the northern periphery is now considered in turn.

***Sweden*²**

The historical heritage points to the ambition of a unitary state executed as a controller, coordinator and initiator in all matters concerning regions and regional development. Although present in the formation of the state, regional policy as a term does not appear until the middle to the end of the 1960s. The issues, at that time, were those of regional imbalances especially in regard to the provision of basic societal services and the status of the labour market. Distribution came first, combined with a growth orientation. The integrated aspect of the national space was an issue of security and defence. In 1977 a special function (Glesbygdsdelegationen – The Delegation for Sparsely Populated Areas) was established. A special policy for ‘sparsely populated areas’ was defined in the beginning of the 1980s and oriented towards maintaining a high level of public sector activity in the northern, sparsely populated regions in order to combat outward, or primarily southward, migration, due to fundamental and far-reaching structural changes in the primary sectors. In 1991 a state authority replaced the delegation defined above, which later (1995) changed its name to Glesbygdsverket (The Commission for Sparsely Populated Areas). Its role was primarily defined

as a centre for knowledge around issues related to the designated areas, providing information in general, and highlighting relevant consequences of decisions taken in other policy areas.

As in most countries, the balance in the mixtures between policies giving priority toward equality or growth was a continuing issue in the political field, involving all levels and political parties. It is also notable to find a changing emphasis between instruments of development in a framework of broad versus narrow policies, where the broad indicated effects of general policies on the regional dimension, while the narrow were policies directed specifically towards the regions.

Later, the balance changed to policies for growth in combination with ‘regional development policy’ which, as one of its problematic aspects, seemed to reduce the priorities of the orientations mentioned above. The changes were also part of the EU adaptation where, often enough, selective regional measures had a high risk of conflicting with the rule of the free market. ‘A policy that was more national than regional’ (Foss *et al.*, 2004). Some special programmes, like for instance Leader, had a special regional impact and, of course, relevance in its focus on rural areas.

At the same time, stated by the authors (Brandt and Westholm 2006) of the other publication, the state has concentrated its presence in the larger communes and the service level, which meant a decrease in the countryside and in smaller communes in the end of the 1990s and beginning of 2000s, especially when it came to services needing face-to-face attendance and opening hours.
(de Souza and Holmström, 2008: 71)

In relation to regionally defined process within the EU, the organisation of Europaforum North exemplifies a bottom-up approach: a continuous effort by local and regional politicians to influence the Commission during the late and present programme periods in order to gather an interest and acceptance for these questions and to have an impact on the way the instructions for these programmes were written. So, Objective 6 incorporated 44 communes in Sweden, almost half of the country. This example puts an emphasis on the replacement of generalised instruments³ with regional and macro-regional initiatives.

*Norway*⁴

As in most countries, early aspects of what, today, is described as regional policy were instruments enacted in order to keep the nation together, to strengthen the unitary state. Norway had clear ingredients in state policy where regional policy measures were explicitly used after 1814 (Teigen, 1999).

The main ingredient of an explicit geographically defined policy was focused on the districts. This was determined in order to preserve the main elements of the settlement structures with fundamental aspects of welfare preserved on both the

regional and local levels. The 1960s saw the appearance of such a policy for the whole country. A crucial element in this was the establishment of the Distriktenes Utveklingsfond (DU: Development Fund for the Districts, our translation) (Teigen, 1999: 190). This was a policy to uphold and strengthen settlements and businesses in districts that were sparsely populated or located far from large economic and political centres of power, in order to guarantee a balanced regional development. It should be noted that district policy was, and still is, used as distinct from regional policy. It was focused on infrastructure and economic activity in *weak* regions (Onsager *et al.*, 2003); describing the development, the authors note that the district policy was ‘extended and redefined to a broad regional policy encompassing the whole country’ (Onsager *et al.*, 2003: 22).⁵ Around this process, there have been changes as to geographical coverage, eligible actors and active institutions.

Previous research has shown that Norway goes in somewhat another direction than many other European countries when it comes to regionalisation. Norway has been characterised by a strong position of the periphery, especially Northern Norway. Regional policy has been very much focusing on developing small communities and thus on creating a more equally-distributed population.

(Hörnström, 2010: 158)

Recommendations for structural reform have been present through the last 15–20 years: the Christiansen Committee appointed in 1989, the Task Division Committee appointed in 1998, the Solberg Interlude, the District Commission of 2003. The size of the municipalities and the size of the regions are described as problematic and so is the plethora of state organisations with different geographical subdivisions – of 40 mentioned, there are only 10 that adapt to existing administrative entities. So far nothing has come out of this and the path of the reform process was formally closed in October 2008.

Reduced responsibilities of the counties are a prominent change during the last decades. After 2002, the state took over responsibility for hospital care; business support went from the regional level to the state, and that, in turn, created regional agencies and later the organising of Innovation Norway, which has returned to the county recently through joint ownership with the state. The counties remained, however, within the field of regional development through their role in formulating the Regional Development Programmes and in the allocation of regional development funding. Although voting ‘no’ in the plebiscite of 1994, Norway’s adaptation to the EU in regard to dimensions of regional development has had a profound importance.

Denmark⁶

In comparison with the other Nordic countries, Denmark has but few peripheries in the way they appear elsewhere in the North. This is something that has been

addressed in many official reports since 2003. Distance is not an issue in Denmark in the same way that it is in the other Nordic countries, but this makes problems of centralisation and peripheralisation more of an issue of accessibility. Socio-spatial differences are considerable, in terms of demography, income, land values, education levels as extensively documented recently in the Danish media. Equalising measures were operating between 1958 and 1990, mainly in terms of subsidies for job-creating investment. The specific lack of a regional policy in Denmark since 1992 is not due to lack of peripheries but to increased pressures on state budgets, and because the programmes did not work as they were supposed to. The policy that has actually been developed is decentralised, diversified and primarily based on EU regional and social fund directives, other preconditions defined by the EU and more general national arrangements. The Danish government hoped that the EU money would be able to substitute Danish national initiatives. The present government (since 2001) is a strong believer in place competition and has left the initiative with individual municipalities, who are able to apply for small projects from the support schemes of different ministries.

Regional development, within general regional planning, does encompass a perspective on and a strengthening of planning instruments for the fringe areas within the whole. In this context, 27 specified municipalities like Bornholm are considered. In addition, municipal equalisation arrangements also exist, which aim to sustain a homogeneous level of services across all Danish municipalities. In respect to rural districts it is primarily the programmes for these rural districts, worked out by the Ministries for Interior and Health and for Food, Agriculture and Fisheries, that are relevant, and the Objective 2 programmes managed and coordinated by the National Agency for Enterprise and Construction.

As discussed in connection with the other countries, Denmark has passed through a regionalisation reform that Sweden and Norway have just talked about. The reform process started in 2002 and was inspired by a debate about rational scales: how small municipalities could handle all the obligatory welfare issues with quality. Regional reform in 2007 included, among other things, a new map of the regional division of Denmark, with bigger and fewer regions and municipalities, and a new distribution of tasks between state, regions and municipalities; it also confirmed a new financing and equalisation system.

Further, for the last two years the topic has been more than hot in Denmark, and there has been a whole new political party with this cause as their only one 'Fælleslisten' (The United Action List). This made other parties develop policies in this respect, without, however, knowing much about the real problems and their causes. The topic in itself has become quite prominent in the Danish media.

*Finland*⁷

What has separated the administrative system of Finland from the other Nordic countries has been the lack of a formal intermediate level. It did not, however, lack a regional policy. Historically, Finland was a good example of a strong nation-building project – based on security and strong national identity. Regional policy,

which aimed to integrate Finnish territory into a homogenous entity, has stood at the forefront. The policy of equality has been as strong as in Norway and Sweden. The Finnish economic crisis in the early 1990s had many causes, with the depression of the pulp and paper market and a banking crisis with national roots. As a partial explanation of the extent of the economic problems, there was the catalytic effect of the dissolution of the Soviet Union which generated a general heavy impact on Finland's export orientated industry. The labour market saw a crisis in proportions that had not been seen since the 1930s and, with the labour market as it was, the exodus of people became a major problem, as the national and local budgets could not handle an expansion of public employment. The crisis touched all regions, but the recovery was primarily concentrated on some urban areas like Helsinki, Tampere, Oulu and Jyväskylä, which resulted in increased regional differences.

As a matter of fact, in the economically lagging areas characterised by out-migration and high unemployment the role of the municipality in the local economy and the municipality as employer has become very significant and in many cases, dominant.

(Virkkala, 2008: 105)

On the basis of the background given above, the policy priorities made a clear orientation towards macroeconomic efficiency. A central aspect of Finnish regional policy is the orientation on the development of cities, centres and settlements, using ideas of networking and urban policy as a nucleus. This deviates somewhat from the priorities of the other Nordic countries.

Regional development has been implemented through a complex negotiation system mainly between regional state offices and municipality-based organisations. After membership of the EU was realised, there was a more focused orientation towards EU structural funds than in Sweden; this also meant a need to establish some kind of regional level in order to be able to administer the allocation of these funds. The need for adaptation to the regulations and practices of the EU strengthened regionalisation efforts in Finland: the establishment of Regional Councils (1994) was a direct answer to a demand put forward by the EU, and the reform process after 2003 took place in order to restructure municipalities and services. This continues with a flexible regional organisational layer, namely Joint Municipal Unions, being established.

In Finland the merger of municipalities is ongoing and a reform of regional state administration was implemented 1st January 2010.

(Hörnström, 2010: 37)

However, this is still based on voluntary mergers, while the state is guiding the process with norms established on basic service provisions.

Scotland

Scotland, as one of the first countries in the world to industrialise, has then suffered a long period of relative decline. Therefore, it has benefited from the earliest regional economic strategies to promote a more balanced development of all parts of the UK. However, with periods of stronger and weaker regional policy and a continuing long-term divergence in economic performance across the UK, agitation for increased powers for the distinctive Scottish Office within the Westminster Parliament and then devolution gathered pace through the last 50 years of the twentieth century. Nevertheless, although this led to the Scottish Parliament being re-established after almost 300 years in 1999, there are still significant powers reserved to the UK Parliament. This notwithstanding, many of the instruments of economic development encompassed in regional policy and planning are devolved. A diverse and relatively large and mountainous country, most of Scotland's population is accommodated in the Central Belt between Glasgow and Edinburgh within an hour's driving time of either of these cities. Outwith this long-industrialised region, it is sparsely populated with some of the lowest density levels in Europe. Islands and other elements of remoteness characterise the environment and economy. There are 32 local authorities for the five million population but these vary greatly in size although all have the same responsibilities. They are complemented by the active and well-established regional development agencies (RDAs) – Highlands and Islands Enterprise and Scottish Enterprise.

From being the model for RDAs across the world, these have first gone through massive expansion in the early 2000s and then disaggregation since 2007, reflecting similar down-sizing and specialisation elsewhere (Danson *et al.*, 2005). Partnership working between these RDAs, central and local government bodies and other social actors has been a feature of regional development and policy since the 1970s, covering labour market interventions, business development, support and planning. Scotland has tended to make good use of its different Structural Fund programmes and designations and usually has been an enthusiastic supporter of transnational territorial initiatives. Indeed, many examples of best practice in active labour market policies, small and new firm support and in the attraction of foreign direct investment have been generated and nurtured in Scotland before their dissemination across the continent. These initiatives have been instrumental in a restructuring of the Scottish economy away from a dependence on traditional heavy industries to a modern profile with strong representation of food and drink, energy, financial, business and consumer services; this has led to a geographical re-orientation away from the industrial west and towards the east and north east. The public sector is particularly important in terms of employment and management of the economy.

Regional structural planning, through such consortia of partners, complements national planning guidance and infrastructural investment. Moves for increased powers for the Scottish Parliament now have consensus support across all parties while the current and deep financial cuts in public finances are leading to joint service provision across local authority boundaries. Balancing sustainable

economic and social development across the nation is becoming increasingly challenging in this environment, and this is all the more difficult as demands for full fiscal autonomy expose the need for spatial equity.

Iceland

Iceland, as an island in the North Atlantic, strongly offers many of the characteristics of peripherality and marginality applying partially to the other northern countries. It is the most sparsely populated country in Europe with more than half of the population living in Reykjavik, with concomitant persistent depopulation of the rural areas. A critical concern in its negotiations with the EU has been in establishing criteria and methods that address challenges related to these defining issues of the nation: ‘de-population, harsh climate, long distances to markets, remoteness and economic dependence on a few products’ (Government of Iceland, 2010). Although overall development has been continuing for several decades, the traditional industries of fishing and agriculture have been diminishing, while new sectors and activities have been more likely to be located in the capital region. These regional imbalances have received regular policy attention from successive Icelandic governments (OECD, 2010). The nature of the specific changes in the economic conditions for traditional industries (larger fishing vessels, general technological developments and automatisisation, trading of quotas)

mean that new employment opportunities need to be developed that are suitable for the younger well-educated generations in rural areas. A key challenge is delivering well-paying jobs and in some cases public services as well to the remote rural communities, dispersed over a large territory with difficult climatic conditions.

(OECD, 2010).

In recent times, Iceland has had eight regions (*landshluta*) and, from May 2006, 89 municipalities (*sveitarfélag*). Sub-national self-government is exercised by these 98 municipalities (one quarter are cities and the remainder rural municipalities) at the local level where they have responsibility at least until 2018 for policies regarding land use, transportation and services, the environment and development in the municipality. The prefect (*sýslumaðurinn*) represents national government in each region and supervises the municipalities on behalf of the government.

In its negotiations to join the EU, Iceland sees new opportunities to embed the EU regional policy approaches into the country and to address the problems of remote rural regions especially by bolstering innovation and creating new job opportunities (Government of Iceland, 2010).

Ireland

Following partition, with the ‘Six Counties’ remaining in the UK, from independence until it joined the European Union in 1973, the Republic of Ireland was one

of the poorest countries in Europe and Northern Ireland not much better off. Mass emigration was an almost constant theme of the twentieth century, with the high birth rate offering some demographic balancing both north and south of the border. The economy of the Republic displayed few signs of industrialisation while around Belfast there continued to be a significant shipbuilding, aerospace and engineering dominance. Across the island, traditional farming and public administration jobs were critical to the labour market and economy. The EU and the 'Troubles' changed much of this. Slowly at first, through moves away from protectionism and client state status, Ireland began to assume the characteristics of the 'Celtic Tiger', paralleling the growth of some of the economies of East Asia. In the Republic, rates of business taxation were reduced and regulation dramatically diminished compared to other EU countries leading to subsequent rapid growth from about 1990 onwards, and hence the 'Celtic Tiger' descriptor. Northern Ireland trailed behind but, although losing its heavy industries, enjoyed a period of catch-up in the 1990s and 2000s as peace came and investment flowed in.

All parts of Ireland have benefited from large inflows of EU Structural Funds under Objective 1 status. Latterly the region around Dublin has progressively lost support as it has become (over-)developed. This encouraging quarter of a century came to an abrupt halt with the global financial crisis, which has impacted especially negatively on the whole of Ireland.

Both north and south, Ireland has promoted economic growth actively through the regional development agencies: the 'model' IDA (Irish Development Board) and associates in the Republic and the IDB (Industrial Development Board for Northern Ireland). Especially successful at attracting FDI (inward investment), these development agencies have been instrumental in promoting agglomerations around the capital city region and to a lesser extent around Cork. During the current Structural Fund programme period, ERDF is being used to finance the regional programmes (Objective 2 of the Structural Funds) for the Southern and Eastern and the Border, Midlands and Western regions. These programmes are being managed by the respective Regional Assemblies. The Assembly in Northern Ireland leads on the regional development strategy there, with its inclusive theme throughout reflecting the position in the Republic and the history of the last century.

So, across the island of Ireland, development has been concentrated in the east around greater Dublin and greater Belfast and the corridor between them. Other small cities and towns in their respective hinterlands and secondary centres such as Derry and Cork have seen spillover growth and inward investment; nevertheless, much of the rest of the land is rural, many parts remote and sparsely populated. Across the island of Ireland other dimensions of inequality are high; this mirrors the position in the UK and is in contrast to the other countries of the Northern Periphery where incomes, wealth, health and other social indicators are far less unequal.

Conclusion

This chapter has offered a brief introduction to the economies and societies of Nordic and Celtic northern Europe. It has suggested that there are both similarities and differences across this region or 'Arc of Prosperity'. In aggregate here are to be found the highest standards of living in the world for the widest range of members of those societies; the exceptions to this are in Scotland and Ireland where poverty and inequality are widespread and embedded. These contrasts at the national level reflect the divergence between the social democratic strong welfare systems of the Nordic countries on the one hand and the Anglo Saxon model operating in Ireland and Scotland, and the UK more generally, on the other. Despite these fundamental differences, however, attitudes and support for peripheral regions seem to be debated, disputed and applied in not too dissimilar ways throughout the countries of northern Europe. As is discussed and underpins many of the chapters in this anthology, questions over the privileging of the core or capital city compared with the periphery are integral to public discourse and policy analyses wherever strong geographical and distance factors are present.

While there are often deep historical legacies underlying and explaining these issues, national and European strategies and policies have been in place for significant periods to address many dimensions of disparities. How appropriate and effective these are forms the bases for much of the research in this volume. Not unrelated are the administrative and institutional infrastructure in each territory, and both these and how they are evolving were introduced here as part of the background to the anthology overall.

In the current period, with financial and economic crises impacting on many small, open economies, the resilience of the Nordic countries has been contrasted with the capacity and policy regimes of those within larger states and those which follow a less interventionist approach. The significance of these system-defining characteristics for their respective peripheral and marginal regions and communities is essential, as is apparent in the different studies reported in the other contributions to this volume. These analyses in their contrasting contexts go some way to demonstrating how experiences and effectiveness vary across northern Europe but also highlight where there are common lessons and benefits of co-operation across territorial borders. This offers the potential to transfer such knowledge and understanding to other regions across Europe, again confirming the importance of the northern periphery for policy development.

Notes

- 1 Northernmost is a word quite frequently used as well.
- 2 Based on de Souza and Holmström (2008).
- 3 Like the dissolution of the Commission in 2009, when some of its activities were distributed to other state authorities.
- 4 Based on Bukve (2008).
- 5 This has been the general trend. There has been a varied emphasis through time.
- 6 Based on Thomsen and Nielsen (2008) and with thanks to Anne Lorentzen.
- 7 Based on Virkkala (2008).

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8 Can peripheral regions innovate?

Sara Davies, Rona Michie and Heidi Vironen

Introduction

Innovation is one of the main factors that drives economic development and is often argued to be stimulated by the agglomeration of economic activities and thus to contribute to the persistence of geographical economic disparities (Grossman and Helpman, 1991; Storper, 1997; Fujita *et al.*, 1999; Morgan, 2004). Such a perspective inevitably raises questions from the viewpoint of peripheral, sparsely populated regions. If innovation is closely associated with agglomerations and proximity between firms and other actors, peripheral regions are unlikely to be the sites of innovation. There is, however, evidence that innovation does take place in some peripheral regions (Doloreux, 2003; Jauhainen, 2006; Onsager *et al.*, 2007; Virkkala, 2007) and this raises the question of whether we need to rethink our understanding of innovation. It may, for example, be the case that current conceptualisations of innovation processes are based too strongly on analyses of innovation in urban areas and neglect specific dimensions of economic activity in peripheral regions.

These questions are interesting from a range of empirical, conceptual and policy perspectives. Empirically, there is a need for a better understanding of how firms in peripheral regions innovate, and what types of activities or locational advantages offset the difficulties associated with distance to larger markets for selling goods and services, recruiting staff or accessing inputs and knowledge. In conceptual terms, there may be a need to rethink existing definitions of innovation, in particular to take account of 'hidden' innovation which is not reflected in traditionally used indicators, and to reassess the factors that drive or inhibit innovation. Moreover, if innovation is not necessarily rooted in agglomeration, there may be a need to revise analyses of the reasons that regional disparities persist. From a policy perspective, a key question is whether the current emphasis on supporting innovation in regional policy in many European countries, as well as in the European Union's (EU) Cohesion policy, is appropriate for all regions, including peripheral, sparsely populated regions. Some studies argue that, as knowledge spillovers are geographically bounded, policy should focus innovation support on locations with existing strengths rather than on, for example, peripheral regions (Midelfart-Knarvik and Overman, 2002; Bilbao-Osorio and Rodríguez-Pose,

2004). Similarly, some policymakers in peripheral regions argue that, instead of targeting public resources on support for R&D-oriented innovation, it would be better to invest in infrastructure, human capital or enterprise support instead. There is therefore a need for a better appreciation of the factors that matter for innovation in peripheral areas, and the extent to which these can be supported by regional and other policies.

This chapter engages with these questions by exploring innovation in one peripheral, sparsely-populated region, namely Scotland's Highlands and Islands. It draws on semi-structured interviews with policymakers involved in innovation and business support in the region, as well as desk research of publicly available data, studies and policy documents. It finds that there is some evidence of innovation linked to research and development (R&D) in particular locations and on specific themes within the region, and also of broader kinds of innovativeness and adaptability in firms throughout the region, which are only partly linked to R&D activities. It also argues that business innovation in this region often draws on local resources and strengths, but is sometimes also stimulated by the need to mitigate the constraints of peripherality. Further, the chapter suggests that social and community factors play an important role in some dimensions of innovation in the Highlands and Islands, and that public sector support is often needed to ensure, for example, appropriate infrastructure, higher education facilities and human networking.

The structure of the remainder of the chapter is as follows. The next section examines conceptual arguments in relation to regional economic development and innovation, focusing in particular on studies on innovation in peripheral regions, as well as on recent analyses that aim to redefine innovation in broader terms and to develop new methods of measuring unrecognised or 'hidden' innovation. The third section describes the evidence of R&D and innovation in Scotland's Highlands and Islands, drawing on published data (mainly from the European Union's Statistical Office, Eurostat), as well as existing domestic studies and evidence collected in interviews. The final section discusses the chapter's findings and identifies areas where further studies are needed.

Theories of regional innovation

Innovation and regional development

Recent decades have seen a strong focus on the role of R&D, innovation and knowledge capital in driving long-run economic growth and also on the geographical dimensions of these processes. This focus has been shared by mainstream economics (Romer, 1986, 1990; Grossman and Helpman, 1991; Fujita *et al.*, 1999), evolutionary and institutional economists (Nelson and Winter, 1984; Dosi *et al.*, 1988; Hodgson, 1999) and regional economic geographers (Aydalot and Keeble, 1988; Storper, 1997; Braczyk *et al.*, 1998; Morgan, 2004).

Mainstream economists argue that R&D and knowledge capital are subject to geographically bounded increasing returns, and thus see these activities as either

the primary factor or one among several factors that drive economic disparities between countries and regions (Romer, 1986, 1990; Grossman and Helpman, 1991; Aghion and Howitt, 1992; Fujita *et al.*, 1999). Evolutionary economists further emphasise the cumulative and path-dependent character of technological innovation, as well as the importance of intra-firm routines and geographically based social institutions in facilitating the production and transfer of knowledge (Nelson and Winter, 1984; Hodgson, 1999). Regional geographers have studied innovative cities or agglomerations (Jacobs, 1970; Aydalot and Keeble, 1988; Saxenian, 1994; Dietz, 2002; Simmie, 2003), arguing that knowledge spillovers are constrained by geographical and cultural distance (Feldman and Audretsch, 1999; Moreno *et al.*, 2005; Rodríguez Pose and Crescenzi, 2008), and that geographical proximity should be seen as a source of increasing returns due to enhanced scope for face-to-face interaction, shared socio-cultural norms, or formal institutions (Storper, 1997; Braczyk *et al.*, 1998; Morgan, 2004).

Innovation in peripheral regions

The perception that knowledge capital is subject to geographically-delimited spillovers implies that it will concentrate in certain locations, leading to an inherently uneven spatial distribution of R&D and innovation activities. Peripheral, sparsely populated regions have therefore been seen as less likely to innovate due to their relatively small pools of highly qualified labour, small local markets, long distances between businesses and other actors (Jauhiainen, 2006) and often a lack of public and private research centres.

However, some scholars have recently explored the experiences of rural or peripheral regions, and have shown that innovative firms can thrive in, for example, medium-sized towns in peripheral locations (Doloreux, 2003; Onsager *et al.*, 2007; Virkkala, 2007). These studies emphasise the importance of diverse sources of knowledge to firms in such areas, including local links with customers, suppliers and local education or research institutes, but also extra-regional networks with other firms or research institutes (Vale and Caldeira, 2007). Virkkala (2007) argues that 'organisational proximity', or close interactions in knowledge development and exchange (Boschma, 2005; Davenport, 2005; Torre and Rallet, 2005), is particularly important for innovation in peripheral regions and can compensate for geographically delimited knowledge spillovers. Nevertheless, even these studies tend to show that R&D and innovative activities tend to be concentrated in or near agglomerations in larger peripheral regions, suggesting that geographical proximity still matters in these regions (Doloreux, 2003; Jauhiainen, 2006; Onsager *et al.*, 2007; Virkkala, 2007).

Redefining innovation

An alternative view of the prevalence of innovative activities in peripheral, sparsely populated regions is, however, emerging in the context of efforts to reconceptualise innovation in order to take account of less codified forms of innovation

that are not reflected in data on R&D expenditure or patents (NESTA, 2006, 2007, 2009). The relative lack of data on broader aspects of innovation means that both public policy and scholarly studies continue to focus on indicators linked to R&D and patenting – which in turn are rooted in a linear model of innovation and economies based on manufacturing industries and thus do not reflect many innovative activities. Although there have for some time been endeavours to measure some broader aspects of innovation, for example via surveys such as the EU's Community Innovation Survey (CIS), these approaches have been criticised because they do not adequately reflect variations in innovation across sectors or the different stages of the innovation process (Roper *et al.*, 2009). However, work is now underway to develop new definitions and measurements of hidden forms of innovation (for example aimed at developing an Innovation Index in the United Kingdom [UK]), which, according to a recent study, accounts for over three-quarters of private sector investment in innovation in the UK, in areas such as design, organisational improvement, training and skills development, software development, market research and advertising (NESTA, 2009).

This work is particularly interesting from the viewpoint of peripheral regions where hidden forms of innovation may predominate (Doloreux, 2003; Mahroum *et al.*, 2007; Virkkala, 2007), not least because the role of geographical or organisational proximity in relation to hidden innovation is unclear. However, further research is needed into innovation in peripheral regions, drawing on recognition of the distinctive features of their economies. One important issue which has yet to be sufficiently acknowledged is that the sectoral structure of many peripheral regions is weighted towards sectors linked to natural resources (e.g. food processing, renewable energies, tourism) which may be characterised by particular forms of innovation (Mahroum *et al.*, 2007). In contrast, sectors that depend on proximity to large markets, varied input suppliers or large pools of diverse types of qualified labour are likely to be underrepresented in peripheral areas. A second issue is that the constraints associated with peripherality and sparsity of population may in themselves act as stimuli to process and organisational forms of innovation, as firms endeavour to find new ways of delivering products and services to customers, managing staff and interacting with suppliers.

Innovation in Scotland's Highlands and Islands

The region's economic and institutional structure

Scotland's Highlands and Islands is perhaps the most remote region in the United Kingdom, with the only city, Inverness, located 730 kilometres from London, and the northernmost area (the Shetland Islands) closer to Norway than to London. The region's internal market is small, with a population of around 360,000 scattered across a large region (Scottish Government, 2006). Population density is low (Table 8.1), with around 10 per cent of the region's population located in Inverness, and most of the remaining population living in small settlements or as isolated households (Highlands and Islands Enterprise, 2009). In addition, the

region's physical geography presents challenges, with many islands and peninsulas; for example, around one-quarter of the population lives on over ninety islands.

In such a context, the quality of transport and telecommunications infrastructure is of particular importance in ensuring access to external markets, as well as facilitating business travel and commuting. However, the quality of transport infrastructure varies within the region, which has no motorways, limited dual carriageways and rail links, and often poor public transport in more remote areas. Although the region has ten airports (and a number of other airstrips on smaller islands), only one airport (Inverness) provides a range of connections outside Scotland. While broadband take-up is above average (see [Table 8.1](#)), there are small areas throughout the region which have no coverage, and the quality and speed of services in all areas is poorer than in UK agglomerations (Department for Business Innovation and Skills, 2009).

The region's gross domestic product (GDP) per capita and employment rates are below the UK and Scottish averages ([Table 8.1](#)). The sectoral structure of gross value added (GVA) also differs, with higher than average GVA in primary sectors, manufacturing, construction and some private (e.g. hotels/restaurants) and public (e.g. health/social work) services, but significantly lower than average GVA in many business services (e.g. financial intermediation, and real estate, renting and business activities) ([Table 8.2](#)).

While UK macroeconomic policies are shaped and implemented by UK authorities, microeconomic policies are largely in the hands of the Scottish Government and its agencies, notably the dedicated regional development agency, Highlands

Table 8.1 Key economic indicators for the Highlands and Islands

	<i>Highlands and Islands</i>	<i>Scotland</i>	<i>UK</i>	<i>EU27</i>
Population density per km ² , 2003	9.3	64.8	244.3	113.3
GDP per capita, EU27=100, 2006	90.4	115.9	120.4	100.0
Employment rate (LFS), 2008	58.4	59.8	59.3	53.7
Unemployment rate (LFS adjusted), 2008	3.0	4.7	5.6	7
Activity rate (LFS), 2008	60.2	62.7	62.8	57.7
% of households with broadband connection, 2008	77	58	62	49

Source: Eurostat and, for data on population density in the Highland and Islands, Scottish Government (2006).

Note: The 'Highlands and Islands' is defined as the NUTS 2 region, which is slightly smaller than the area covered by Highlands and Islands Enterprise.

Table 8.2 Gross Value Added (GVA) by industrial sector, 2006, percentage of total

	<i>Highlands and Islands</i>	<i>Scotland</i>	<i>UK</i>
Agriculture, hunting, forestry and fishing	3.2	1.4	0.7
Mining and quarrying of energy materials	2.0	1.5	0.2
Other mining and quarrying	0.8	0.3	0.2
Manufacturing	15.5	13.9	13.3
Electricity, gas and water supply	2.3	2.4	1.6
Construction	8.7	7.2	6.4
Wholesale and retail trade (inc motor trade)	11.6	10.3	11.9
Hotels and restaurants	5.7	3.2	2.9
Transport, storage and communication	7.3	6.4	7.1
Financial intermediation	1.1	7.4	7.9
Real estate, renting and business activities	12.5	19.2	23.8
Public administration and defence	6.6	6.3	5.3
Education	6.7	6.3	6.0
Health and social work	11.1	9.1	7.1
Other services	4.9	5.1	5.3
Total	100.0	100.0	100.0

Source: Author's calculations based on Office for National Statistics (2008).

and Islands Enterprise. Scottish Government support for innovation and R&D in Scotland has traditionally focused on existing excellence with a view to maximising impact, not least because the entire country performs relatively poorly on key indicators compared to the UK and EU averages (Table 8.3). This has meant that only limited funds have flowed to the Highlands and Islands which lacks a formal, research-based university and is home to few public or private research centres. However, the Scottish Government's (2008) latest research strategy includes an emphasis on rural, environment and marine sectors, where there are existing strengths in the Highlands and Islands.

Highlands and Islands Enterprise has long provided tailored support for innovation within the region, not least by channelling Scottish Government resources to R&D-oriented and innovative firms. A key priority has been the establishment and development of the University of the Highlands and Islands (UHI), based on a network of existing further education colleges and research centres, with significant funding being allocated to research infrastructure and staff, and for expanding undergraduate and postgraduate teaching.

Table 8.3 Innovation indicators in the Highlands and Islands

	<i>Highlands and Islands</i>	<i>Scotland</i>	<i>UK</i>	<i>EU</i>
Total R&D expenditure % GDP, 2005) ¹ of which	0.65	1.56	1.69	1.80
a) Business	0.43	0.58	1.06	1.15
b) Government	0.06	0.30	0.18	0.25
c) Higher education	0.16	0.68	0.45	0.40
Patents per million inhabitants, 2006	33.7	56.2	87.6	112.2
% of employment 2007 in				
a) High-tech manufacturing) ²	0.90	1.04	1.02	1.11
b) Knowledge-intensive high-tech services) ³	4.81	3.79	4.34	3.29
Human resources in science and technology (core) as a % of active population, 2008) ⁴	17.8	18.2	17.0	16.4

Source: Author's calculations based on Eurostat data

Notes:

- 1 Total R&D expenditure excludes the private non-profit sector, for which data are not available for Scotland or the Highlands and Islands. Data for in this sector were 0.04% of GDP in the UK, and 0.02% of GDP in the EU in 2005.
- 2 High-tech manufacturing is defined as: Aerospace (NACE 35.3), Pharmaceuticals (24.4), Computers, office machinery (30), Electronics-communications (32) and Scientific instruments (33).
- 3 Knowledge-intensive, high-tech services are defined as: Post and telecommunications (64), Computer and related activities (72) and Research and development (73).
- 4 Human resources in science and technology (core) are defined as: people with a third level qualification in and working in science and technology.

R&D-based innovation in the Highlands and Islands

Although the Highlands and Islands undertakes only limited R&D expenditure and patenting, it performs better on innovation-linked labour market indicators (Table 8.3). Compared to Scotland as a whole, the Highlands and Islands has a particularly low rate of R&D expenditure in the government and higher education sectors, while the percentage of business expenditure is only slightly lower than the Scottish average. The low rate of government and higher education research spending is largely due to the region's limited research and higher education facilities, as such institutions in Scotland are overwhelmingly based in an arc linking Glasgow, Edinburgh and Aberdeen (Roper *et al.*, 2006). However, it is also notable that Scottish rates of spending on R&D in the government and higher education sectors are higher than the UK and EU averages. It is worth noting that UK government expenditure on R&D is dominated by spending on defence, while

the defence component of R&D expenditure in Scotland is very small (Scottish Government, 2004). Few defence establishments have facilities in Scotland, and particularly in the Highlands and Islands. If R&D expenditure on defence was excluded from the analysis, the data would show an even bigger gap in R&D spend between Scotland and the UK average.

However, rates of business R&D expenditure and patenting are low in both Scotland and the Highlands and Islands, relative to UK and EU figures. This imbalance between public and private sector R&D investment has been likened to Scotland having a ‘university sector reminiscent of a “core” EU region and a corporate sector in keeping with Scotland’s more “peripheral” location’ (Roper *et al.*, 2006). One reason for the low level of business R&D spending is Scotland’s sectoral structure, with only limited employment in R&D-oriented manufacturing sectors. This is particularly true in the Highlands and Islands, where the most important export sectors, for example, are food and drink manufacturing; chemicals and plastics; wholesale, retail, hotels and restaurants; and primary industries and construction (Highlands and Islands Enterprise, 2007). Moreover, government and business R&D expenditure in the UK are highly concentrated, with the highest concentration of business R&D expenditure, for example, in southern and eastern England.

Data on employment in higher level science, high-tech manufacturing and knowledge intensive services show more positive results for the Highlands and Islands. However, data are shown relative to total employment or total active population – and the total employment and activity rates are lower in the Highlands and Islands than in Scotland or the UK as a whole. Nevertheless, these data suggest that the region has strengths in terms of labour market skills that may not be adequately reflected in indicators on R&D expenditure and patenting.

Case studies of R&D-based innovation in the region

Both business and public R&D expenditure within the Highlands and Islands are focused on particular sectors, themes and locations. Knowledge-intensive activities are concentrated in the areas with the highest population and largest numbers of businesses, notably areas near Inverness (Moray/Badenoch/Strathspey and Ross and Cromarty), while other areas (e.g. Orkney, Shetland, and Skye and Lochalsh) have very low levels of knowledge-intensive employment (Scottish Government, 2006).

One example of research excellence in the region is the Scottish Association for Marine Science (SAMS) near Oban in Argyll on the west coast of Scotland. SAMS is one of the UK’s leading marine science research organisations, which employs 140 people and works in four fields, namely physics, sea ice and technology; biogeochemistry and earth sciences; ecology; and microbial and molecular biology. The centre is an academic partner in the University of the Highlands and Islands network and, as well as research, also provides undergraduate and doctoral education in marine science. In 2004, a business incubator for new and emerging marine biotechnology companies was opened nearby, namely the European



Centre for Marine Biotechnology (ECMB), with support from Highlands and Islands Enterprise. It provides laboratory and office space to individual companies, as well as shared library, cafe and meeting room facilities. The centre is now fully occupied and Highlands and Islands Enterprise is planning a science park so that expanding firms can move there from the incubator.

The centre's location is an advantage in research terms due to its proximity to a range of marine environments, from shallow coastal waters to the deep Atlantic Ocean. The location also offers the benefits of a relatively low cost environment and a high quality of life for researchers and students. However, there are also disadvantages to the centre's location, as it is perceived to be very remote, particularly by people in other parts of the UK and Scotland, so that staff need to work harder to mitigate these perceptions. Given the limited number of students and the lack of students in other disciplines, staff also work hard to create a community and social environment that students are happy with. There may also be limits on the types of firm that would locate in a science park in this location; although there are benefits for research-oriented firms, these would be outweighed in the case of manufacturing firms by the costs of getting goods to market.

A second example is the health science sector, where there are significant regional strengths in terms of business research and manufacturing, as well as university and public sector research and teaching. The Centre for Health Science was set up by Highlands and Islands Enterprise in Inverness in the mid 2000s with the aim of encouraging cooperation between existing organisations and of expanding into related fields. The Centre houses researchers from LifeScan Scotland (a Johnson & Johnson company) which specialises in the research and manufacture of diabetes monitoring systems, and also has a separate facility on a nearby site; as well as university researchers in diabetes and rural healthcare (involving UHI and the University of Aberdeen); and public sector researchers on diabetes and clinical research undertaken within the National Health Service (NHS). In addition, the Centre has facilities for university teaching in nursing, dentistry and clinical skills (involving UHI and the Universities of Aberdeen, Dundee and Stirling), as well as professional training for healthcare workers, organised by the NHS. The Centre also has a business incubator for start-up companies and provides shared facilities such as a library, conference and seminar rooms, video-conferencing, a cafe and other social facilities.

Public sector activities have been important in developing strengths in the field of health science in Inverness. The NHS and university research and teaching facilities were located in Inverness because it is the main population centre in the region and so is home to high-level healthcare provision (e.g. an acute general hospital) and associated teaching facilities, due to the government commitment to provide healthcare services even in remote rural areas. This has led to the development of a pool of highly skilled human resources in the health science sector which, along with public aid to individual companies and public investment in infrastructure, has attracted health science businesses to the area. The policy aim is to offset any perceived disadvantages associated with peripherality by developing research expertise in particular niche areas (such as diabetes research) and

in fields which link to the Centre's location (such as the delivery of healthcare services in remote and rural areas).

There are also a number of other examples of high level research and related activities in particular locations in the Highlands and Islands, for example marine wave and tidal energy in Orkney and Caithness; energy efficiency and low carbon innovation on Lewis; or nuclear decommissioning in Caithness. As in the two cases cited above, these are generally rooted in local natural and socio-economic resources which mitigate disadvantages associated with distance to markets or potential partners.

Hidden innovation in the region

Alongside pockets of R&D-oriented innovation in specific locations in the Highlands and Islands, there is also evidence of hidden forms of innovation. A recent survey of innovation in the region, as well as interviews conducted with business support organisations, suggests that hidden kinds of innovative activity are far more pervasive in the Highlands and Islands than is suggested by a focus on R&D-based activities.

One of the main findings of a 2009 study on innovation in the region was that firms in the Highlands and Islands show a stronger propensity to innovate than do Scottish firms as a whole (Table 8.4) (Sheppard, 2009). This conclusion was based on a survey of around 140 firms in the region which drew on the methodology of the Community Innovation Survey, and compared the data collected with the results of the 2007 CIS for Scotland. Although the same methods were used for both sets of data, it may be the case that the data collected in the study may not be fully comparable with the results of the 2007 CIS (e.g. due to possible inconsistencies in samples). Nevertheless, the results of the study are interesting and merit further investigation.

Table 8.4 A survey of innovation in the Highlands and Islands

	<i>Highlands and Islands</i>	<i>Scotland</i>
Product innovators	71	20
Of which, new to market	36	30
Process innovators	47	12
Of which, new to industry	18	24
Changes in corporate strategy	30	13
Innovation activities include		
Internal R&D	57	23
Externally acquired R&D	16	8
Acquisition of external knowledge	17	12

Source: Adapted from Sheppard (2009) based on original survey data for the Highlands and Islands and the Community Innovation Survey 2007 for Scotland

The study found that a high percentage of firms in the region had introduced product or process innovations, and that they were more likely than the Scottish average to innovate by undertaking internal R&D, or by acquiring R&D or knowledge externally. Nevertheless, most innovations were not seen as ‘new to market/industry’, suggesting that the majority of innovating firms in the region should be seen as followers rather than leaders in innovation. The study also included some questions about broader or hidden forms of innovation, and found that a relatively high percentage of firms had introduced changes in corporate strategy in the previous three years. Similarly, the firms surveyed were more likely than the Scottish average to have introduced changes in relation to marketing and to organisational structures. Moreover, other hidden forms of innovation were also very important to firms in the region, not least training, design and changes in products or processes linked to the market introduction of innovations.

The study’s emphasis on innovative or adaptive forms of behaviour among firms in the region is confirmed by interviews undertaken by the authors of this chapter with staff in Scottish business support organisations (a series of 14 semi-structured face-to-face interviews were carried out during December 2009 and January 2010). A key motivation for innovation is seen as the difficult circumstances in which firms operate, such as a sparse regional supplier base and labour market, as well as relatively poor access to product and service markets. Moreover, the region’s relatively high rates of micro firms and self-employment (particularly in more remote areas) are perceived as a strength as such firms are often more able to change quickly in response to a shifting external environment.

Some examples of hidden innovation in the region involve the introduction of new products, often aimed at extending and raising the quality of the product range and better meeting the needs of core retail outlets (e.g. in the food processing industry). Others focus on the development of new forms of working, whether in the form of home-working (e.g. in the case of call centres and other back-office services) or via project-based cooperation among freelancers and micro firms (e.g. in the creative industries). Others include better strategies for branding and marketing products, often by means of cooperation between businesses, whether across sectors in a particular area or among micro firms in a specific sector (e.g. tourism).

Further examples of innovation in the region involve community-based solutions to problems that may not exist elsewhere, but may have transfer opportunities subsequently, particularly in the region’s more remote areas. These include the development of methods and systems for re-using waste materials on islands where no recycling facilities exist, or the provision of energy or public transport via community enterprises, or the use of information and communication technologies to improve healthcare services. These examples usually have both technological and organisational elements, and often involve not only business activity but also forms of community enterprise, and sometimes also the input of services of small-scale funding from public sector actors.

As might be expected, these hidden forms of innovation draw on a range of local strengths and resources, including natural resources, human skills and adaptability, and also public sector resources and infrastructure. However, in some

cases, innovations are also stimulated by the need to respond to the constraints of peripherality and to compensate for the disadvantages of remoteness, which often mean that businesses and entrepreneurs are forced to become multi-skilled, to develop mechanisms for continually adapting to external change, and to engage actively in external networking.

Discussions and conclusions

Although this chapter has focused on a case study of Scotland's Highlands and Islands, its main findings are of broader relevance for other peripheral, sparsely populated areas, and complement the results of other studies of innovation in peripheral regions, for example in the Nordic countries (Jauhiainen, 2006, 2008; Onsager *et al.*, 2007; Virkkala, 2007). This section examines a number of methodological and conceptual issues arising from this study and argues that there is a need for further work to explore whether and how innovation in peripheral areas differs from innovation in agglomerations.

While studies have traditionally focused on innovation in urban or semi-urban areas, this chapter has shown that innovative activities may also be located in peripheral regions. However, R&D-oriented innovation in such regions is often small-scale and usually clusters in specific locations with good infrastructure and an existing concentration of businesses, drawing on local but also distant connections. The case studies of the Scottish Association for Marine Science and the Centre for Health Science suggest that these activities may sometimes be located in peripheral regions due to the importance of specific natural resources for research, and sometimes due to public sector activity, whether in the form of specialist research and labour market skills or in the form of the provision of direct aid or public investment in business-oriented infrastructure. In addition, this chapter has suggested that a broader definition of innovation is needed, that takes account of non-codified innovation. Further studies of hidden forms of innovation are needed in order to explore whether such activities are also agglomeration economies and whether they are as prevalent in peripheral, sparsely populated regions as elsewhere.

This chapter also raises a number of methodological issues in relation to the study of innovation in peripheral, sparsely-populated areas. A first set of difficulties concerns the limited availability of reliable comparable data on innovation indicators, given that measures of R&D and patenting tell us relatively little about the broader spectrum of innovative activities across a range of sectors (Roper *et al.*, 2009). Although new innovation metrics are being developed (NESTA, 2009), they are not yet fully defined, nor put into practice by national and regional statistical offices. This work could potentially be important in facilitating a better understanding of innovation in peripheral regions, where hidden forms of innovation are likely to predominate, given the sectoral structure and, often, the limited number of university, business and government researchers in such regions.

A second set of difficulties, however, is rooted in the thin business base that characterises sparsely populated regions. Issues of statistical robustness invariably arise in relation to the regional disaggregation of data collected via business

surveys (such as the Community Innovation Survey and the new UK Innovation Index) because the number of firms sampled in each region is relatively small. In the case of the Community Innovation Survey, for example, the EU only publishes data at Member State level, and the UK only publishes data at NUTS 1 level (e.g. for Scotland a whole) because samples at a more disaggregated geographical level are seen as too small to be representative. In order to be able to provide reliable data on differences between NUTS 2 regions, the Community Innovation Survey would need to expand its data sample to ensure that it collected sufficient data from each NUTS 2 region.

These methodological issues imply that, alongside better metrics for surveying hidden forms of innovation in different sectors, there is a need for further qualitative studies of whether and how hidden innovation varies across locations. Although a number of studies have analysed hidden innovation in non-R&D-intensive sectors (NESTA, 2006, 2007, 2009; Roper *et al.*, 2009), they have not included an explicit geographical dimension. The question therefore remains as to whether hidden forms of innovation not only differ across sectors but also across space, either because they are stimulated by geographical or organisational proximity or because of other differences in the contexts in which firms and other actors operate. Such studies would allow for a fuller exploration of the kinds of innovation that occur in peripheral regions. Moreover, rather than attempting to impose a frame of analysis derived from the experience of agglomerations (for example, by focusing too strongly on the role of proximity in stimulating innovation or on R&D-oriented innovation), studies could aim to uncover the kinds of innovation that occur in peripheral regions and the factors that facilitate or constrain innovation in these regions.

Studies could, for example, aim to assess the contribution of factors that are sometimes seen as substitutes for proximity, such as shared values and identities, or the role of the human networking activities of public agencies (Morgan, 2004). They could also include an analysis of the extent to which the disadvantages of being located in a peripheral region stimulate greater adaptability in firms in such regions. However, attention also needs to be focused on the role of framework conditions for both innovation and enterprise, which would not only include, for example, the availability of high skilled people, finance and appropriate infrastructure (NESTA, 2009) but also the quality of public services, housing and education, and an assessment of why these resources and services are weaker in some peripheral regions (Lagendijk and Lorentzen, 2007). If there are obstacles to enterprise in peripheral regions – for example in terms of poor transport and ICT infrastructure or a lack of high quality further and higher education facilities – it is unlikely that such regions will show strengths in either explicit or hidden innovation (Jauhiainen, 2006, 2008).

Lastly, although focused on innovation, such studies could have broader implications for the study of interregional economic disparities because the concept of geographically bounded knowledge spillovers is seen as one of the main drivers of spatial economic disparities (Grossman and Helpman, 1991; Storper, 1997; Fujita *et al.*, 1999; Morgan, 2004). If, however, this view is too simplistic – for

example, because ICTs are diminishing the importance of geographical proximity or because the public sector has the capacity to support the emergence or spread of innovation – then this could suggest the need to reconceptualise and reassess the reasons for persistent economic disparities between different countries and regions. Studies which focus on revealing the kinds of innovation taking place in peripheral regions could also support the potential transfer of innovative approaches to other regions.

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9 Proximity and distributed innovations

Innovations ‘in the shadow of the clusters’

Svein Bergum

Introduction

Background and research question

Within the innovation literature there is a focus on co-location to enable innovative activities. The main reason behind this is the assumption that these activities are complicated and require the transfer of tacit knowledge which is hard to complete over geographical distances (Bathelt *et al.*, 2002; Daft and Lengel, 1986). There are, however, examples, in our country and region, of companies, units of companies, individual teleworkers and innovation networks which have been successful in innovation activities even when they are located in remote locations or operating in a distributed mode. The proximity concept has captured a prominent position in the scientific literature dealing with innovations, inter-organisational collaboration and regional development, as well as partially within the organisation and leadership literature. When the concept of proximity is used, what is often actually meant is geographical proximity. Nevertheless, other forms of proximity, such as organisational, social and cognitive proximity have been introduced. These complementary concepts could contribute to explaining why it is possible to carry out innovation activities even in remote locations.

The main research question of this chapter is how alternative dimensions of distance can reduce the negative consequences of geographical distance in distributed innovation activities in remote areas. We will also explore whether there are special characteristics related to dimensions of distance in this context.

Methods used

Because there is a relatively limited body of knowledge concerning this topic, we chose to apply a qualitative research design. We applied a longitudinal multi-case study approach, involving three organisations and five individual teleworkers, all of whom are working in the information and communication technologies (ICT) sector. First, three small organisations with their headquarters in the periphery were selected. In addition to these, we have also summarised our experiences and collaborations with teleworkers in Norway and Sweden over a period of more than 20 years. Our gathering of data among the three case study organisations

took place in the period between 2006 and 2008, our interviews with the teleworkers took place in the summer of 2010, and we conducted personal interviews with more than 200 teleworkers in the period from 1989–2010. We used semi-structured interviews as part of other R&D activities with the three organisations and five individual teleworkers both now and previously. The topics were about descriptions of their work arrangements, the benefits they obtained from it, and challenges and critical success factors in which answers were structured around alternative dimensions of distance. In addition we also met in other circumstances, and had the opportunity to talk informally with key persons in the organisations, as well as having informal contacts with others who have similar mobile virtual or distributed work arrangements. Even if the numbers of recent interviews were not high, the longitudinal approach and long experience of the five teleworkers added considerably to the validity of the answers. Because we have focused on ICT-work, our findings could and should not be generalised to jobs and industries which are more dependent on face-to-face interactions.

Theories

We concentrate on three types of theories of: a) dimensions of distance/proximity, b) distributed innovations and c) telework.

Dimensions of proximity and distance

In both organisational theory, as well as telework and innovation literature, distance is mainly measured in geographical terms. Within other professional areas such as human geography (Boschma, 2005), inter-organisational relationships (Knoben and Oerlemans, 2006) and leadership and organisational behaviour (Antonakis and Atwater, 2002; Erskine, 2007; Lojeski and Reilly, 2008; Lojeski, 2006; Wilson *et al.*, 2008) some other dimensions of distance are included. Based on: a) the purpose and focus of our studies, b) the frequency of use of the dimensions in our selected studies above, and c) the assumed relevance in our empirical studies, we will later focus on the following seven alternative dimensions of distance:

- geographical distance
- social distance
- perceived interaction quality face-to-face
- perceived interaction quality both virtually and electronically
- cognitive distance
- organisational distance
- psychological distance.

In [Table 9.1](#), we describe how our selected dimensions of distance are operationalised.

Table 9.1 Characteristics used to describe selected dimensions of distance.

<i>Distance dimension</i>	<i>Operationalisations in this chapter</i>
Geographical (also called physical)	Physical distance in m and km, or only distance or co-location, number of locations
Social	Authority, trust, status, how long manager and subordinate have been working together, power differences
Cognitive	Education, work experience, other demographic variables such as age, sex and race
Interaction quality face-to-face	How often and with what effectiveness, on average, manager and subordinates communicate face-to-face
Interaction quality virtually (electronically)	How often and with what effectiveness, on average, manager and subordinates communicate by telephone and email
Organisational	Norms and routines, similarities between organisational units, culture
Psychological	Perception of distance

Distributed innovations

Distributed innovations means innovation activities or processes in which participants or actors are located in different geographical places (Hildrum, 2008). We will not go into detail on this theory, but just mention a couple of important aspects. Distributed innovations put the focus on ICT to help facilitate communication at a distance. This even includes application of media choice theories for selection among various types of communication based on theories such as ‘media richness theory’ (Daft and Lengel, 1986) and later improvements. A key argument in this theory is to rank media according to their ability to transmit information, and to find the correct balance between the complexity of the tasks and the media used. Therefore, videoconferencing and telephones should be used for planning, negotiations and negative feedback, while e-mail can be used for the routine dissemination of information.

Some experiences from the research on individual teleworkers

The most common definition of telework is to say that it is work tasks performed at a geographical distance from the office, supported by ICT and often by formal agreement. Research on telework is summarised in Bergum (2009), although in this chapter we will briefly refer to some major finding of three aspects: a) the challenges for the companies concerning telework; b) which job tasks are suitable for telework and c) what the requirements are to be a teleworker.

One of the challenges for an organisation is often said to be controlling the teleworker, though challenges are often related to communication. There is a danger of weakening corporate culture and loyalty under teleworking and there

is a need for more planning, new routines and new forms of work arrangements. The teleworker may have advantages with teleworking because of a better work–life balance, new work possibilities, increased independence and reduced travel time and/or travel expenses. Telework also contains disadvantages. The most common of these are the possibilities for social and professional isolation, the danger of blurring boundaries between work and leisure, requirements in handling ICT and routine tasks on their own, in addition to possible negative effects on career development.

All tasks are not suitable for telework since telework is mostly related to information-intensive tasks which are supported by ICT. Another aspect of this is independent work in which the individual can plan his/her own work as potential telework, as well as work in which there is not a demand for frequent contact with colleagues. Some studies also mention work tasks in which it is relatively easy to measure results. But experiences shows that many teleworkers are in complex jobs such as innovation activities. While previous studies have focused on full-time telework at home, recent studies focus on part-time work – often in a local business environment. Earlier studies have highlighted the need for teleworkers to know their company well before they start teleworking. Among the personal characteristics required are the ability to work independently and to master the ICT-requirements. Teleworkers need to motivate themselves, take initiatives and be good planners and communicators. These requirements are particularly important if teleworking full time, but if telework is less intense, i.e. not more than once a week, then telework is not that much different in comparison to traditional co-located work arrangements.

In the 1980s, telework was assumed to be a tool for female workers in very peripheral regions to work on an almost full-time basis, and work tasks were rather simple. It is generally held that experience shows that the majority of teleworkers are highly educated men located within commuting distance from larger cities. It seems necessary to be at the office at least once a week, meaning that a commuting time of more than 1–2 hours each way is not possible. In contradiction, in this chapter we will describe examples of individuals and organisations that have been able to do innovative activities in peripheral regions with a daily commuting distance longer than 1–2 hours.

Some examples of telework and distributed innovation activities in the regions of Hedmark and Oppland

Individual teleworkers

We have conducted interviews with five teleworkers as one of the empirical bases for this chapter. Four of these are from Norway and one is resident in Sweden, and they are all men. Two are in their late thirties, while the other three are between 55–60 years old. Two are located approximately 1 hour and 45 minute commute time from Oslo, while the other three have a commuting time of 3–5 hours to the capital. Four of the informants are consultants, while the last one is a researcher

connected to a regional university. All of the informants have previously lived in Oslo or Stockholm, and worked for major organisations. Today, only one of them is formally employed by a centrally located organisation, while the others (except the researcher) work as consultants with national and international customers.

None of the informants has local or regional customers or business partners or business relationships. Their motivation for telework was that they wanted to live and combine the 'good life' with some work in small- and medium-sized places, as they thought that the work-life balance would be better in these communities. One of the most remote informants said that his decision had nothing to do with business, but was because he had a small farm, including some forest resources. This gave him a better work-life balance. He had grown up in this small place, and saw this location as 'the end of the life circle'. Another of the informants, who was located about four hours north of Oslo, mentioned the importance of the quality of life in the local community for his family, where he also has friends and the opportunity to walk in the mountains and be the coach of his daughter's soccer team. Among all the informants, we identified a perceived proximity to the environments and local community.

The informants have minimal face-to-face professional contacts about their jobs with others in the local community. Challenges related to this telework arrangement are mostly related to the challenges of maintaining and developing professional contacts. In particular, the aspect of tacit knowledge is mentioned by the two informants who are part of a central organisation and regional university. Other challenges are related to infrastructure, both in terms of the quality of the roads and rail system and problems with telecommunication networks (broadband) in peripheral areas. In our interview guide we had mentioned critical success which could be related to our distance dimensions. Personal relationships with people in central regions were emphasised by everybody. This social proximity was obtained either by previous work relationships within the same organisations or through inter-organisational project cooperation. These work relationships were essential for operating from peripheral regions, and several of our informants said it would have been impossible to operate or start their activities if they did not have such social and personal relationships with people in Oslo or Stockholm.

Another critical success factor was knowledge. To know the business and show that you could deliver services or products to your customers and business partners was important for building trust. To know the business was also important when you communicated via electronic media, as these are vulnerable to misunderstandings and tacit knowledge is hard to discover. Personal characteristics such as independence, the ability to understand and utilise technology and the ability to plan, were also mentioned.

Another factor is related to travel. Most of our informants said they had to do a lot of travelling in order to meet their customers, maintain their network and obtain new information as input to innovations. Generally, the informants said that they liked to travel, and their perception of distance was probably lower than most people in the local communities where they lived. One informant in

particular, who was 60 years old, said that he tried to control the amount of travel and now only travelled 2–4 days a month, whereas most of the other informants travelled 1–3 days a week. Local support was not mentioned too much in relation to success factors, but rather was identified as the motivation and foundation for the telework arrangement. A couple of the informants explicitly said that the support of their families, particularly their spouses, was essential. There are differences, however, in the amount of travel, from twice a month to three days a week, though the informant who only travelled 2–4 days a month was an exception. He was 60 years old and had a strong position in the market, which meant that he had the power to regulate his amount of travel. He also used ICT extensively including videoconferencing from his home office. Another interesting aspect with this informant was that he had changed his location five years ago and moved from two to four hours north of the capital. This increase in geographical distance into a real peripheral area had the effect of reducing his weekly travel, communicating more by ICT and postponing tasks until the next time he visited the central regions. He mentioned planning, in addition to effectively utilising the limited amount of face-to-face contact when visiting central locations, as being essential. Our other informant, who had a four-hour commute to the capital, also mentioned these aspects, though he was more active in the market, even internationally, and this required more travel. This last informant was heavily involved in radical innovation projects, which required traveling to meet business partners and test products on customers.

Regarding the work tasks of our informants, we previously said that they are consultants or researchers, and all were involved in innovation activities. When we asked them whether the type of activities was dependent on locations, they said that innovation activities happened both in peripheral and central places. Nevertheless, it was interesting to notice that all of the informants said that their visits to central location were very important in their innovation activities. They acquired new ideas centrally or could test their ideas with people who had relevant knowledge. But when they returned to their peripheral areas, they could continue working on ideas and eventually discuss details on the phone, by email or other electronic media. Consequently, performing complete innovation processes in isolation in peripheral areas seems very difficult, especially since we know that our informants are very experienced.

Some small companies in remote areas

Our main empirical focus has been on individual teleworkers, but we have also conducted interviews with leading people from three small ICT-companies (Daldata, Norshields and Intelligent Quality), with their headquarters located in Hedmark and Oppland. Daldata develops, sells and maintains business information systems, specialising in the primary sector with and small and medium sized companies. Norshields is a small company (five employees) working in the business of industrial automation. Intelligent Quality (IQ) is developing the technological framework for mobile communication solutions. Their main reason

for this type of remote location is that the founders of these companies were born and grew up in these places. For all of these companies, the use of advanced ICT-systems is a prerequisite for their geographically distributed structure. For IQ, this is at the core of their business idea.

We do not refer explicitly here to the answers from our interviews with the leaders of these companies, but they are incorporated into the analyses in the following section.

Analysis

How can alternative dimensions of distance reduce the negative consequences of geographical distance in distributed innovation activities in remote areas?

From the theories and literature review as introduced above, we found the dimensions of social and cognitive proximity to be the two dimensions which could most easily be applied. All our case study persons and organisations are specialists in one specific field, which is often related to ICT. The people now working in peripheral areas have been working in centrally located areas, where they have developed professional skills within ICT, and built personal relationships with key staff in relevant organisations. For this reason, we see that cognitive proximity, as well as social proximity, is rather low between the remotely located people or organisational units and their central business partners. Because our cases are often within ICT, they also have skills in utilising technology and often have high interaction frequencies by electronic media. Regarding face-to-face communication between our remote case subjects and centrally located subjects, these vary according to needs, project phase, geographical distance and the communication style of the person. Face-to-face communication is reduced in comparisons to a situation of co-location, and takes place in a more irregular and planned way. Our case subjects told us that they must be aware of how to best utilise their scarce amount of face-to-face time when visiting central locations. It was important that they focused on the most complicated professional tasks when being co-located while simpler tasks could be accomplished by electronic media. This supports the rational theory of media choice originally developed by Daft and Engel (1986).

It was interesting that the social contents of these meetings were a regular part of almost all visits to central locations. In some ways, personal contacts are more vulnerable to geographical distance than professional contacts. Social proximity is generally harder to maintain at a low level compared to cognitive distance. Of course, there is also tacit professional knowledge, which is hard to share on electronic media, so part of the trips to central locations also involves professional communication to collect tacit knowledge. The interpretation of tacit knowledge is also improved by a low social distance. Thus far, conclusions are that both a low social and low cognitive distance will reduce the negative effects of geographical distance in innovation activities. Also, while interactions or communication by electronic media as well as personal meetings are important, the findings are still

consistent with those in an earlier contribution by Bergum (2009), which states that interaction quality is as important as the quantity. The individual teleworkers demonstrated the importance of planning in relation to the contents of face-to-face meetings.

Psychological distance was measured through the perception of distance. The general impression from all of the interviews is that teleworkers in general, and particularly teleworkers in peripheral areas, have a relatively low perception of distance. These teleworkers want to combine a work–life balance of interesting jobs and the chance to live (at least part of the time) in local communities where they have strong connections because of proximity to the environment (for walking, hunting), working in the forest, family, friends or maintaining buildings such as farms. We have called these characteristics ‘environmental proximity’. A low value on the perceptions of distance and environmental distance will also reduce the burden of distributed innovation activities.

In reference to organisational distance or institutional distance, it is hard to make statements and generalisations based on the limited empirical data presented here. Indeed, our previous knowledge of other telework cases does not yield specific conclusions. We received responses going in different directions, saying that belonging to an organisation would either reduce or increase the complexities of distributed innovations. Initially it was thought that belonging to an organisation would decrease complexities. A majority of our informants, however, said that belonging to an organisation meant that you had to follow the rules of that organisation and keep updated on information flows, which could be a challenge at a distance.

The other dimensions have generally reduced the negative consequences of geographical distance. Informants have relevant professional skills related to their centrally located business partner or customers, which makes the cognitive distance low. The level of social distance is relatively low because the people in remote sites have previously worked together with centrally located people or social contact is kept up through routine types of electronic communication and regular face-to-face meetings for complicated tasks. Because most of the examples are from ICT, the informants have high competence in ICT and also have a high and planned interaction quality when using electronic media. They travel much in order to maintain social contacts and catch up on professional tacit knowledge. As said earlier, their perception of distance is often lower than for most people.

All the values on the alternative dimensions of distance mentioned above will reduce the negative effects of geographical distance. The special dimension of proximity to local community however is more difficult to measure and explain. Those surveyed try to combine their personal life in the peripheral regions with working part of their time from remote locations. The work tasks conducted at the remote locations are tasks that can be done independently or supported by ICT. Our unique dimension of distance related to the proximity to local community is a driving force behind the distributed work arrangements, as part of their work must be carried out in larger cities such as Oslo and Stockholm. The proximity to the

local community might be considered a barrier to effective distributive work, if the local ties prohibit the required travelling. Our impressions of these teleworkers are that they plan very consciously and take into considerations aspects from both their private and professional lives, together with aspects from the local community and centrally located business partners. Here there is described a work–life balance at a more sophisticated level than that in the human resource literature, where work and home are located relatively close to each other.

Are there any special characteristics or unique aspects related to distance dimensions in these contexts?

We have found two characteristics in our cases with a particular relevance to distributed innovation activities in which peripheral actors and peripheral places are involved. The first is that individual teleworkers and key persons in distributed organisations often travel a lot. In general, it seems that long-distance teleworkers have a low perception of distance, or a low psychological distance, and their mobility patterns are very geographically distributed. On the question to the individual teleworkers of whether they liked to travel, we received somewhat mixed answers. In some ways they liked it, but that was because they had to do it in order to accomplish the requirements of their distributed job with different locations of job (part-time) and home. Compared to many other people, it seems that they are less concerned about the negative aspects of geographical distance. Instead, they see other positive aspects such as the rewarding stimulus of meeting interesting people and milieus in central locations combined with the possibilities of living in small remote communities. We observed that they are very committed to their specialised jobs and have business acquaintances at several locations, but they also want to combine this huge business interest with personal values in a challenging work–life balance.

These people are often born and/or have grown up in these remote locations, and might be married to someone who also comes from the same locations. Even if these people are at a geographical distance from their customers or colleagues, they are close to their core personal values. We have often heard about the challenges of work–life balance in relation to telework: for these types of teleworkers and distributed organisations and innovation, we can also talk about a balance between proximity to customers and an exciting business climate in central locations with their core personal values in peripheral locations. Another interesting observation when we talked and even visited some of the individual teleworkers was that they were able and interested in doing many practical tasks, such as maintenance work at home or at the farm. These broad competencies, which often characterise people in small communities, were in contrast to their often highly specialised business skills which require a large distributed market. In some way, this environmental proximity is related to the qualities of the culture of the peripheral regions.

Most informants reported that there are cultural differences between central locations and remote locations pertaining to speed, language and type of jobs.

None of our sample regarded this as a problem, since they have minimal business contacts with the local community; thus the cultural characteristics of the local community are not regarded as a barrier to their innovation activities. In some cases, public support from local authorities is regarded as an advantage, and our informants have a lot of personal and social contacts with the local community in their leisure time. As a consequence, they say that they do not talk much about their business life, or have to talk about it in a simpler way than with their business partners at central locations. From the perspective of these individuals, they saw the cultural difference as an advantage because then they could better separate their business lives from their personal lives. In some ways, the local community was what Goffman (1959) calls a 'back-stage' arena, a place where they could rest from their business life and receive new impulses. Long-distance telework therefore allows for the possibility of living two separate lives, which can stimulate each other. Using the terms front-stage and back-stage might also be misleading since this indicates that working life is more important than leisure, but the concept by Goffman (1959) is relevant to some extent, as the teleworkers have to deal with two separate stages. A large majority of our cases gave the impression that this switch between the local and the central sphere was unproblematic, because long travel made switching between business 'roles' and private 'roles' easier.

The relevance and validity of the dimensions of distance

Social distance

To know another person well is discussed thoroughly in the telework literature as a prerequisite for telework. As one example, you should never start out as a teleworker when starting a new job, and our informants and previous telework studies confirm the importance of this distance dimension. All of our cases have clearly stated that they would not have been successful in starting to work with innovation activities in peripheral areas without knowing people in central areas. To know each other will reduce social distance and thereafter reduce the disadvantage of geographical distance. An interesting aspect which is mentioned in the literature is about the danger of too little of a social distance, i.e. that you know each other too well. If so, there could be lock-in effects, which are a barrier to innovations. This is not a problem in our cases; as one suggested telework and distributed innovations could prevent lock-in, because you do not see each other every day, live in different cultures and meet different people. Therefore, some distance might be effective for innovation processes.

Cognitive distance

Our informants often have a common knowledge base with business partners, or what we call 'cognitive proximity'. It is easy to understand that cognitive proximity will generally reduce the negative impacts of geographical distance. Most surveyed are very specialised and often search for business partners with common

interests, which means a low cognitive distance, though performing innovative activities also means cooperation with others who have different professional backgrounds. This can cause misunderstandings though electronic media, meaning that some of the initial and complicated communication has to take place face-to-face. One of the characteristic of our sample is that the participants do very innovative tasks from a long geographical distance. A prerequisite for this is probably that they are highly skilled and have long experience. They are able to deliver good services at a distance, thereby creating trust.

Interaction qualities face-to-face and electronic media

There are few studies which have described how often actors in distributed innovation activities meet face-to-face or by electronic media. In Bergum (2009) we presented some studies which reveal that frequencies vary according to different factors such as project phase, type of tasks, knowledge level of actors, expectations, etc. But, as indicated by the name of our selected dimension, the quality of interaction is as important as the frequency. This is confirmed in both interviews and in previous studies. Thorough planning of what tasks should be taken face-to-face vs. electronically is important, particularly with regard to limited face-to-face meetings.

One aspect which characterises long-distance teleworkers from peripheral areas is that they have to travel longer geographical distances to attend meetings. This means that planning is even more important and our informants do not travel until they have several meetings scheduled for when they are in central locations. Speaking of interaction qualities, the quality of face-to-face meetings is often highlighted, but with these teleworkers virtual meetings are more explicitly planned because of their good virtual knowledge. They are experienced as teleworkers, and know how to utilise ICT effectively as would be expected from the recommendations in the literature on telework; this is in contrast somewhat, however, to our earlier studies where we have often seen that teleworkers are not structured and experienced enough to practise according to the best practices suggested by theory. This suggests that this particular case study was above average in terms of experience and knowledge.

One relevant aspect is that they were generally able and often had the power to define when meetings should take place. This has made telework possible, though not necessarily if the teleworker is not in a position to negotiate. Perhaps this should be called 'power distance', which in fact has been used as a term in previous studies to describe authority between parties (Hofstede, 1991). Undoubtedly, a low power distance between actors can moderate the effects of geographical distance.

Psychological distance

The perception of distance generally seems to be very low among our informants. Through our long experience with telework research, we have conducted

interviews with approximately 200 teleworkers including managers, many of whom have complained about the extent of their travel. Be that as it may, we have seen in Bergum (2009) that longitudinal studies documented that teleworkers who continue this type of work arrangement must either have a low perception of distance, must plan better, or change the expectations of their business partners. If not, they will have to stop teleworking because of exhaustion or a lack of work–life balance. A low perception of distance may therefore be somewhat moderated by some of these other conditions, but in long-distance telework the perception of distance has generally to be low if it is to be sustainable.

Cultural distance or environmental proximity

We treat these dimensions together as we regard environmental proximity as being related to culture. Nonetheless, the latter term is preferred since the motivations of long- distance teleworkers in peripheral regions often are related to coming closer to ‘their roots’. While cultural distance is seen as a barrier to remote innovation activities, environmental proximity or environmental distance seems to have a much more positive interpretation by our informants. This is related to a positive work–life balance, and proximity to the environment in leisure time stimulates motivation and innovation during business hours. Even if most of this sample is primarily coupled to the local environment through personal and non-business links, this does not seem to be a barrier for telework arrangements and innovations. Motivation and isolation are not regarded as a problem by them, which is different in comparison to previous studies. The reasons for this difference may be the characteristics of our different samples, with this study having relatively old informants with long experience in the labour market, high skills in ICT and in their professions, and with a huge network. We can conclude that some environmental distance is positive for telework and innovation activities in peripheral regions. This also means, however, that teleworkers must be in close proximity to the local community initially, and not be urban inhabitants who want to start teleworking in a community without knowing anyone.

Collected reflections on the analyses

In [Table 9.2](#) typical values on the dimensions of distance used in this chapter are presented.

Further studies

There is a need for further studies with larger samples. There should be studies which attempt to operationalise the distance dimensions in a more systematic manner, in addition to trying to see how they are related. Studies should look at the advantages of various distances in relation to innovation activities. The dimension called environmental proximity has been specifically identified and proposed here, which could create cultural distances and be positive for innovations.

Table 9.2 Characteristics used to describe selected dimensions of distance

<i>Distance dimension</i>	<i>Experiences and recommended values for long-distance telework</i>
Geographical (also called physical)	A long geographical distance means that face-to face meetings must be few, well planned and consist of an agenda with tasks which require a full bandwidth. Long- distance telework makes this even more challenging and intensifies these requirements.
Social	Long-distance teleworkers know their business partners through earlier projects, which increase trust and lowers power distance.
Cognitive	Long-distance teleworkers are often specialised and work together virtually with business partners with the same knowledge base or business interest. Innovation activities also require heterogeneity in competence, which increases complexities, but must be met by reductions in other distance dimensions such as interaction quality or social distance.
Interaction quality (face-to-face and virtually)	Teleworkers in remote areas must have regular contact with central business partners, although the contents of these encounters are also important, in reference to the above argument on social distance. A clarification of expectations of the level of travel is also important, to avoid burn-out and destroy the work–life balance.
Environmental proximity	Long-distance teleworkers initiate working in peripheral regions because of pre-existing proximity to the local community (family, friends, nature, etc.). This proximity in their personal life and distance to business life can improve the work–life balance and even their innovation activities, and teleworkers also accept long-distance travelling at regular intervals.
Psychological	The perception of distance must be low for teleworkers to be able to handle travelling and to operate in different locations for both physical and electronic media/ICT.

Therefore, further studies should be conducted on the relationships between local and central environments.

Conclusions

Our limited number of examples supported by our general experience indicates that several of the proposed dimensions of distance can contribute to explanations of why long-distance telework and distributed innovation activities are possible and also can be effective in peripheral regions specifically. Actors in peripheral regions who are involved in innovation activities with actors in more centrally located areas are often specialised and have a common knowledge base, which means cognitive proximity. Peripheral actors have often been located in central

locations before being relocated, and therefore know one another, which mean that there is a social proximity. We noticed a couple of characteristics or success factors related to distributed innovations in these contexts: people who live in remote areas and are involved in distributed innovation activities with centrally located actors, travel quite a bit, but have a low perception of distance. Another characteristic is what we call ‘proximity to the environment’. Teleworkers are linked to remote places because they have a farm or house or family at these locations. These people try to combine their perception of the good life in the periphery together with being part of geographically distributed innovation networks. Alternative dimensions of distance contribute to explanations of why this is possible.

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10 Commercial counterurbanisation in the rural periphery

Gary Bosworth

Introduction

Rural economies continue to be places of social and economic change, both in the most accessible and most remote regions of Europe. Although technology and human mobilities are constantly narrowing the gap between urban centres and remote rural areas, the ‘periphery’ continues to present distinct challenges for rural policy. In this context, this chapter examines the economic potential associated with rural in-migration and takes a dynamic networks approach to understanding the extent to which the most peripheral rural areas can benefit from an emergent trend of ‘commercial counterurbanisation’.

Commercial counterurbanisation is defined as ‘the growth of rural economies stimulated by inward migration’ (Bosworth, 2009a; Bosworth, 2010). The demographic trend of counterurbanisation has been defined, analysed and critiqued at great length over recent decades but there remains a need for greater clarity in our approach to understanding the implications for rural areas. Indeed, Halfacree (2008: 481) goes as far as to suggest that the subject might be ‘rather exhausted’. However, the ‘almost taken-for-granted presentation of wealthier people moving to rural areas’ (ibid: 479), which Halfacree describes as the dominant image of counterurbanisation in Britain, can be challenged when we look at the most peripheral rural areas.

Taking up Halfacree’s challenge to revitalise research in this field, the potential for business development associated with counterurbanisation provides a new perspective from which to study the sustainability of contemporary rural economies. A large amount of literature has focused on the implications of counterurbanisation for the social transformation of rural settlements and rural life. In-migration is associated with increasing property prices disadvantaging indigenous residents (Gilligan, 1987; Hamnett, 1992), a potential reduction in the viability of services (Divoudi and Wishardt, 2004) and the loss of a sense of community (Bell, 1994). Murdoch *et al.* (2003) discuss the new conflicts that arise in rural societies between incomers and traditional residents and Savage *et al.* (1992) describe how gentrification is affecting neighbourhoods as wealthier classes are creating and sometimes enforcing their own identities on parts of rural England.

By examining the economic activity of counterurbanisers, this research offers an alternative perspective to these well-rehearsed debates. Nearly twice as many entrepreneurs in both remote and accessible rural areas were not born locally compared to in urban settings (Keeble *et al.*, 1992: 14) and Stockdale (2005) reports that for every in-migrant business owner, some 2.4 jobs are created in the rural economy. North and Smallbone (2006: 43) identify six categories of entrepreneurship policies that can benefit the rural periphery and one of these includes ‘targeting potential sources of entrepreneurs, such as attracting in-migrants with entrepreneurial skills and ambition’. Therefore, this chapter focuses on the opportunity for rural development in the periphery that is stimulated by entrepreneurship and small business development.

The North East region of England

The research was carried out in the North East of England with a strong focus on Northumberland – the northernmost county of England with some of the country’s most remote rural areas. Northumberland National Park, the Heritage Coast, the North Pennines Area of Outstanding Natural Beauty and Hadrian’s Wall provide a strong base for tourism while the landscape is generally not suited to intensive agriculture. The A1 and A69 corridors provide strong links to the Tyne and Wear conurbation and the national motorway network but away from these routes, settlements become increasingly dispersed with very low population densities. The study area is illustrated in the map in [Figure 10.1](#).



Figure 10.1 The North East region of England

The North East economy has lower levels of employment and productivity than most other UK regions (NERIP, 2008) and has some of the most remote and sparse rural areas in England (One North East, 2002). Policy focusing on city regions leaves the rural North East at risk of becoming marginalised at both the national and regional level, leading Ward (2006) to call for new vehicles for rural development. With an agricultural heritage based on less profitable pastoral farming and a high proportion of upland grazing, the exploitation of new economic opportunities that enhance the sustainability of rural communities is seen to be an essential component of rural development in this region.

Theoretical framework

Early approaches to addressing the ‘problem’ of development in peripheral rural areas saw core urban regions maintaining a dominant role. Initially, rural economies existed to provide the agricultural products and raw materials to support industrialisation and, after the Second World War, productivist policies dominated the agricultural sector with the goal of ensuring self-sufficiency for nation states. Only since the relaxation of European trade barriers has the cost of these policies been recognised, with chronic over-supply leading to the devaluation of agricultural output and the fragility of this traditional cornerstone of the rural economy.

At the same time, non-agricultural economic policies for rural areas were centred on direct support for the development of new industries in rural areas. Growth poles and similar top-down or exogenous policies were criticised for leaving the rural areas dependent upon externally controlled industries. Lowe *et al.* (1998) also explained how this led to the distortion and destruction of traditional rural economies with the situation of urban forces dictating the development of the periphery being wholly unsustainable.

Other rural development theorists identified the potential of more endogenous approaches. Picchi (1994), for example, gives a detailed account of successful endogenous development in Emilia-Romagna in Northern Italy. A ceramics industry that was built to serve local needs and used local clay deposits developed into international markets, a mechanical industry established to serve local farmers, and a textile industry developed out of domestic activities. One strength of the region was that strong linkages were maintained with the farming sector allowing particular innovations to develop locally. This is only one example, however, where the success of endogenous development critically depended on features of the agricultural sector for the provision of capital and manpower, and the ability of rural workers to extend their skills, networks and management capacities.

Rural policy across Europe sees bottom-up models having the capacity to ‘empower local communities to define their own needs and prioritise development schemes and projects’ (Ward and McNicholas, 1998: 29). However, while people may work together and develop skills and knowledge through ‘defining’ and ‘prioritising’, the problem remains that there still needs to be some other stimulus to encourage entrepreneurial behaviour. ‘Defining’ and ‘prioritising’ alone does not equate to development.

Lowe *et al.* (1995: 92) recognise that 'if endogenous development has any meaning it must refer to a local developmental potential which state agencies may be able to stimulate and channel, but which exists independently of them'. The recognition of area-based resources, especially those that can be held in the people and community, combined with the acceptance of a need for external stimulation sows the seeds for ideas of 'neo-endogenous development'.

In an economic sense, neo-endogenous development can be enhanced through the development of dynamic networks. 'Conditions in the global economy (such as rapid technological change) are now seen to place a premium on innovation and learning and this is thought to be conducted most expeditiously within associations of many small firms deeply embedded in local societies and cultures' (Murdoch, 2000: 414–15). Murdoch also explains that 'networks can straddle diverse spaces' (2000: 408), both through connections along commodity chains and interactions between different business sectors so this incorporates both rural and urban spaces, a particular concern for the most peripheral rural locations. In each case, there is potential for innovation, expertise and learning to be exchanged between actors across increasingly dynamic 'heterogeneous constellations of networks' (Murdoch 2006: 171). These new network forms are displacing traditional socio-economic structures in rural areas and creating new opportunities for rural actors (Urry, 2000).

Not only does the potential exist for actors to benefit from networks, but Murdoch also proposes that 'in general terms, rural regions are increasingly moving along distinct and diverse development trajectories and that these trajectories are driven by the differing constellations of networks now to be found in new rural spaces' (2006: 172). With the erosion of the traditional dominance of agriculture in rural areas, a host of potential development trajectories have emerged with the future of each region or locality depending upon its local networks of actors and their outward connections as much as on its internal resources. In this light, the potential role of rural in-migrants becomes apparent as one might expect them to be involved in different networks compared to indigenous rural people. As representations of change themselves and as vehicles through which new forms of capital and access to wider networks can be introduced to peripheral ruralities, rural in-migrants are a significantly under-researched group in terms of their contribution to rural economies.

Methodology

In order to identify the economic impact of in-migrant owned businesses in the rural economy, a database of 1,294 non-agricultural rural microbusinesses located in the North East region of England was analysed with follow-up interviews conducted with a sample of microbusiness owners. An extensive report of the survey results and methodology can be found in Raley and Moxey's report (2000) but this new analysis gives a particular focus to in-migrant business owners, an area that has previously been under-researched.

In this data-set, in-migrants were defined as those people who had moved at least 30 miles as adults into the rural area and microbusinesses are those that

employ no more than 10 full-time or equivalent staff. The rural areas were defined as those with a score of below 30 on an urbanisation index that incorporated measures of settlement size and distance from other settlements (Coombes and Raybould, 2001). This allows comparisons to be drawn between more and less accessible areas which are particularly valuable for identifying some of the most peripheral rural microbusinesses in England.

The survey data were complemented by 40 face-to-face interviews conducted in 2007 with a combination of indigenous and in-migrant business owners in the retail, hospitality, manufacturing and professional services sectors. In the sample frame, both in-migrants that had planned to start a business when they moved as well as those for whom it was a separate decision after migration were included. The sample was also skewed to include a higher proportion of businesses located outside of market towns to elicit greater detail about the challenges faced by some of the most peripheral businesses.

The aim of these biographical interviews was to provide insights into the motivations and behaviour of business owners and particularly the social interactions and networks that had influenced, and continued to influence, their business activity. This personal approach provided detailed narratives for each business owner that explored the aspects of business development that cannot be codified in a survey questionnaire. Respondents were also encouraged to reflect on the advantages and disadvantages of a rural location and this was considered particularly significant among in-migrants who had made a positive choice to move to their location.

Findings

In the rural microbusiness survey, 45 per cent of business-owners were in-migrants and a further 9 per cent were return migrants. This is similar to the national level where up to two-thirds of new rural firms are created by people moving from urban to rural areas, often attracted by the perceived quality of rural life (Countryside Agency, 2003). Further research in the North East (One North East, 2006: 27) discovered that 39 per cent of in-migrant business owners had created jobs in their local area and 28 per cent said that their number of employees had increased in the last 12 months. Based on these trends, rural policy advisers in England have recognised that 'cultivating more of these in-migrants to work as well as live in rural areas, should be the aim' (Countryside Agency, 2003: 15).

As well as exploring the extent of commercial counterurbanisation, the urbanisation index is used to investigate its reach into more peripheral areas. Initial analyses of growth aspirations, numbers of jobs and turnover levels produced no significant difference between businesses in more and less rural locations. From the interviews, however, there were a variety of advantages associated with more and less rural locations making generalised averages less valuable. Even specific issues were considered advantageous to some business owners yet a restraint to others. For example, lack of congestion was more important to some business

owners while those with smaller quantities to deliver at any one time found the cost associated with the extra distance to be more of a burden.

Interestingly, those business owners who saw their location as an advantage tended to be in-migrants who moved to the area with the intention to start a business, hereafter called ‘planned start-ups’. One example came from a pub/restaurant owner who had searched for premises across the whole country and had therefore made a decision based on the local market, accessibility, the potential quality of life and the specific features of the property. These in-migrants are not restricted by an existing home location or local community links so can identify the advantages of a rural or peripheral location. Local individuals or those already living in rural communities see certain aspects of rurality as barriers to business growth but they accept this situation as an unavoidable feature of working in the countryside. Examples include a smaller customer-base, smaller labour markets and a reliance on seasonal trade. Figure 10.2 shows that businesses located in more rural areas (the two lightest bars) are more likely to be planned start-ups. The pattern is similar when hospitality businesses are excluded so this trend cannot be attributed solely to planned hospitality start-ups preferring more remote areas.

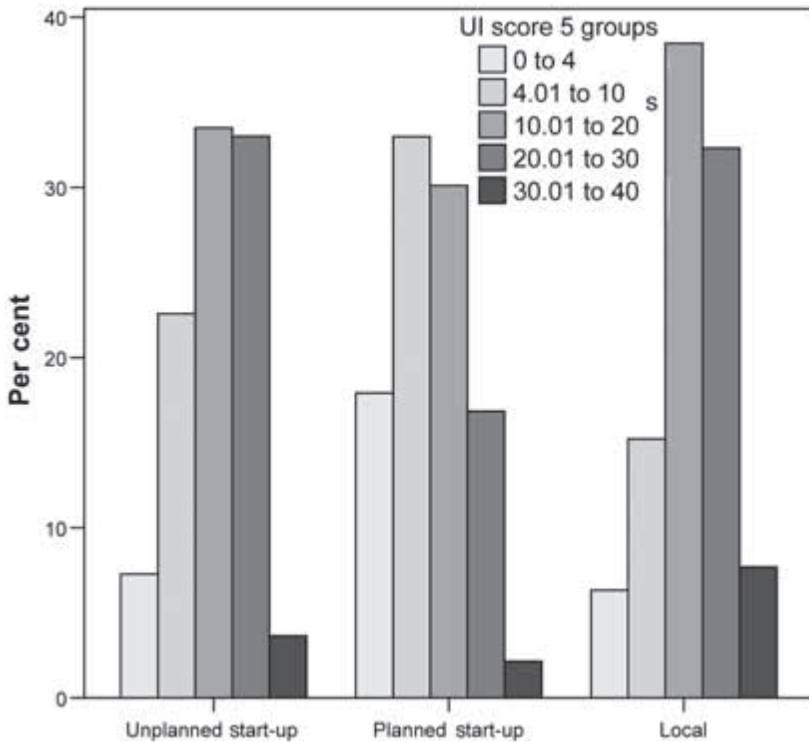


Figure 10.2 The location of unplanned start-ups, planned start-ups and local businesses

From the interviews, a range of advantages and disadvantages were associated with a rural business location and there were differences between the perceptions of locals and in-migrants. Locals identified with their local community, understanding the market and people's requirements and trusting others in the community to help and support the business. In-migrants often identified more specific features such as being close to transport infrastructure, the landscape and environmental amenity or the opportunity to work from home, all factors that could be assessed when making the migration decision. On the negative side, in-migrants were more likely to refer to the 'backwardness' of rural areas. Two respondents commented how sexism and racism were still prevalent in their local communities and others felt that employees had fewer skills, local marketing initiatives were poor and that business standards were generally lower.

Rural areas do provide specific opportunities that were recognised by locals and in-migrants alike. Tourism was seen as an important factor, not just among hospitality firms, and the image of the rural North East has been enhanced by the development of new attractions. A rural identity was also cherished among food and drink producers whose customers associate rurality with quality and authenticity. Negative characteristics such as remoteness and small local markets are accepted as an unavoidable feature of rurality, which for many people is more than compensated by the associated quality of life. Business owners are able to benefit more specifically by inviting clients to attractive office spaces, using rural images in their marketing and enjoying lower costs for property and labour.

A further characteristic associated with more rural locations is that a higher proportion of businesses in these areas are run from home, again demonstrating the potential for flexibility and the influence of personal choices. Some 58 per cent of rural businesses that responded to the survey were based at home and in areas with an urbanisation score below 10, the figure rose to 75 per cent. This will be at least partly due to the lack of commercial property in areas that are described as 'more rural' but it also reflects the fact that more rural areas are unable to support larger businesses due to poorer access to markets and smaller labour markets.

The statistics show that home-based business owners are less growth oriented, with only 28 per cent reporting that they definitely wanted to grow their businesses compared to 34 per cent of other rural microbusiness owners. In line with these results, home-based businesses also had lower turnover levels compared to other rural businesses. At the time of the survey, the threshold for VAT registration was a turnover of £51,000 per annum and businesses below this level were considerably more likely to be home-based businesses and those closer to that threshold were less likely to be seeking growth, indicating that this barrier may be a growth restraint for this category of rural businesses (Newbery and Bosworth, 2010).

New analysis of the rural microbusiness survey found that for each self-employed in-migrant, an average of 1.9 additional jobs was created (Bosworth, 2008). Based on regional data (Countryside Agency, 2005) it was estimated that the survey included almost 20 per cent of the region's rural microbusiness which enabled more detailed analysis of employment creation (see Bosworth,

2009a for further explanation). From this, it was calculated that non-agricultural rural microbusiness owners who have moved at least 30 miles into the area as adults have created a total of 3,176 full-time and 2,642 part-time jobs. Adding the 87 per cent of owners who are considered to be employed full-time in their business, this makes a total of 5,758 full-time jobs. Although a very specific category, this makes up 6 per cent of the 91,640 full-time jobs (Countryside Agency, 2004) in the rural economy of the North East. This is almost 70 per cent higher than the total full-time employment in agriculture in the region. A similar calculation indicates that there are also 3,028 part-time jobs which constitute 9.5 per cent of the total for the rural areas of the North East.

The survey data also showed that inward migration is impacting on the structure of rural economies in terms of the relative size of the major business sectors. In-migrant business owners were represented in each sector (including the smaller sectors not listed separately in [Table 10.1](#)) but there were noticeable differences in how they are divided between the sectors. [Table 10.1](#) illustrates both the actual numbers and the percentage split of local and in-migrant owned businesses with some interesting comparisons emerging.

[Table 10.1](#) illustrates that local business owners are considerably more likely to be in retail and construction, both sectors that typically have a strong local market. Conversely, in-migrants are much more likely to enter the hospitality sector where many firms will be targeting non-local markets. Although the difference is less pronounced, the same could be said for manufacturing. Business and domestic services covers a range of possible work but the predominance of in-migrants, who were also found to have stayed in education for longer (Bosworth, 2009b), suggests that many of these are professional, knowledge-based firms.

Table 10.1 The sectoral split of businesses with local and in-migrant owners in the rural microbusiness survey for the North East of England. (Any sector with less than 50 businesses surveyed has been grouped as 'other'.)

<i>Sector</i>	<i>Local</i>		<i>In-migrant</i>	
	Number	%	Number	%
Land-based businesses	35	5.9	27	3.9
Manufacturing	55	9.3	85	12.2
Construction	83	14.0	20	2.9
Retail	174	29.4	137	19.6
Hospitality	81	13.7	197	28.2
Business and domestic services	68	11.5	134	19.2
Other	95	16.2	98	14.0
TOTAL	561	100.0	698	100.0

Other evidence has demonstrated that local microbusiness owners create a similar number of jobs as in-migrants and they also have higher turnovers (Bosworth, 2008). More significantly, 41 per cent of in-migrants report a desire for business growth compared to only 31 per cent of local business owners, suggesting that their importance for rural economies will continue to increase (a chi-square test confirms that these differences are statistically significant within a 5 per cent confidence level). Furthermore, older rural businesses are also less growth oriented, suggesting that a combination of migration and new business start-ups are key drivers for rural economic development. Commercial counterurbanisation is not simply about rural in-migrants setting up businesses but it concerns the potential for all rural business activity to expand with migration acting as a significant catalyst. The contemporary rural economy is increasingly driven by consumption (Slee, 2005) and this provides new opportunities but also requires different attitudes and skills among rural business owners.

Acting locally and maintaining access to other extra-local resources lies at the heart of neo-endogenous development. The Rural Insights Business Survey (Commission for Rural Communities, 2007) reports that firms based in villages or hamlets are most likely to have their main supply base in the local area. The opposite is true, however, for their main customer base, which demonstrates that rural firms are more successful than their urban counterparts at introducing new income and then retaining it in the local economy. This is not to say that they introduce more income, just that the income generated is more likely to be from a non-local source and is more likely to be spent in the local area. [Figure 10.3](#) illustrates that in-migrants as well as locally owned firms are successfully achieving this in the North East.

Respondents were asked to estimate the proportion of their sales and purchases made at the local, regional, national and international scales. Although only estimates on the part of the respondents, their perspective of where key markets are located is still very useful for thinking about their various trading networks. From the data it was possible to determine that in-migrants conduct a lower proportion of their trade at the local level (defined as a 30-mile radius) than their local counterparts, but local trade is still the most important for both groups.

The second finding from these graphs is that more of the income generated by in-migrants originates from outside the local economy. They make 5 per cent more sales regionally, and double the proportion of sales nationally and internationally compared to locally owned firms. In-migrants also purchase slightly more supplies from outside the region compared to locally owned firms but this difference is not as great as for sales. Because this difference is greater in terms of sales, in-migrants can be expected to generate a higher net income through their extra-local trade compared to locally owned firms. The fact that in-migrants still rely on local markets for a lot of supplies means that a large proportion of this income will also be retained in the local economy creating a positive multiplier effect.

These figures are only proportionate to each individual firm's total sales and expenditure, so to test this more accurately in relation to income generation for the local economy would require details of the monetary value of the sales and

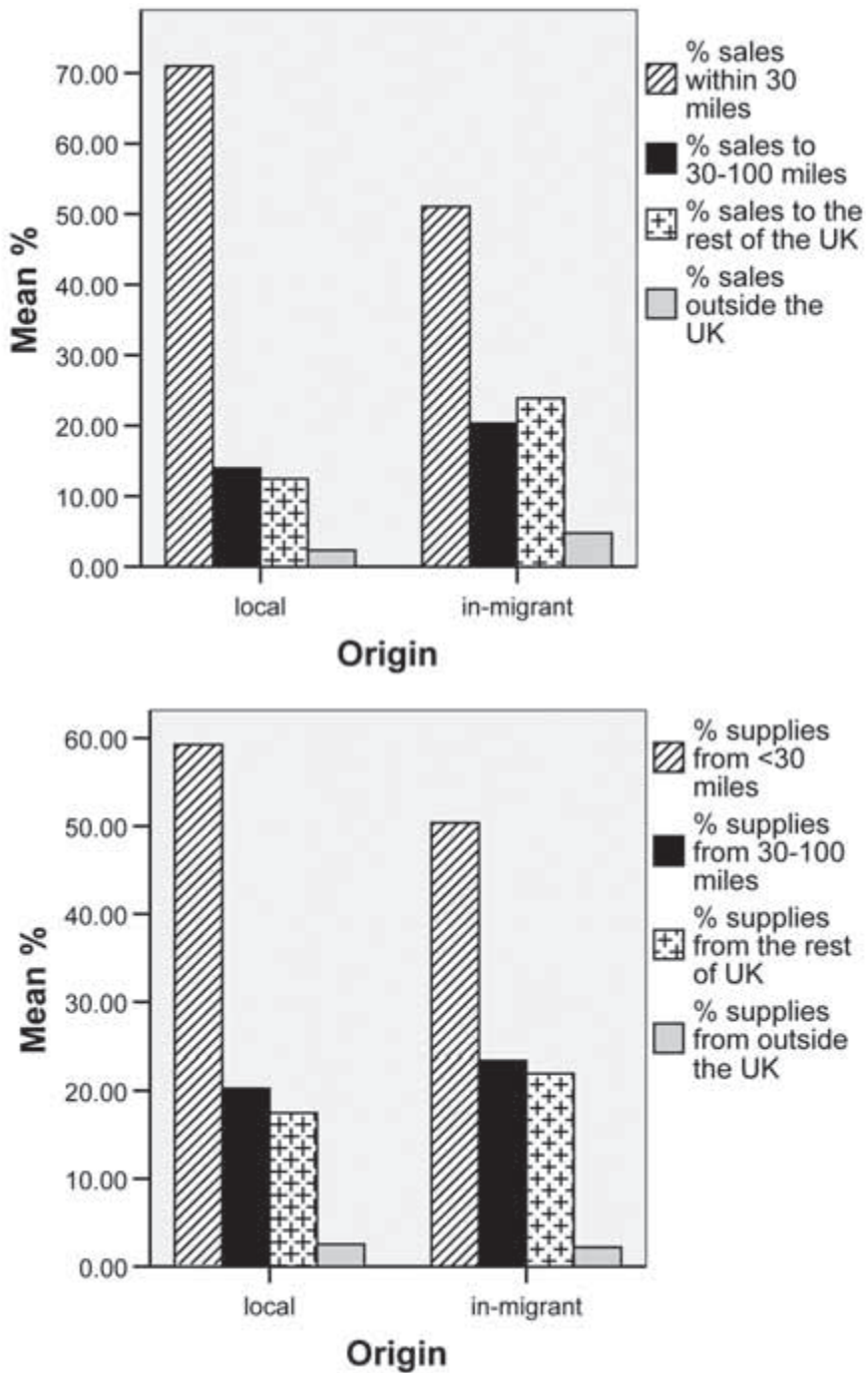


Figure 10.3 The destination of sales and origin of supplies for microbusinesses with local and in-migrant owners

expenditure. Despite this weakness, the analysis provides a good indication of microbusinesses' trading patterns and especially the business owners' perspectives on the geography of their key markets. Phillipson *et al.* (2002) conclude that in-migrants' awareness of other market opportunities is likely to be a significant explanatory factor, but it may also be due to a lack of local knowledge, so it is hoped that this will improve through their local involvement.

As well as the direct economic contribution, this feature of in-migrants – as links to extensive networks through both economic and social connections – is particularly valuable to peripheral regions. As actors who can introduce new ideas and new opportunities to less developed rural economies, we must consider the extent to which these attributes are shared within the local context as local networks of embedded actors are seen to offer the solution. This can avoid Pahl's 'two-speed' economy (2007) where incomers drive up prices beyond the capacity of local workers and, although in-migrants may not take the jobs of locals, they might still displace them through the housing market.

Experiences of rural networks

Phillips (1998) described how rural areas have been colonised by professional and managerial classes and these groups represent 'a potentially valuable source of human capital to participate in endogenous development' (Stockdale, 2006: 355). It has also been suggested that 'these new arrivals are relatively affluent individuals equipped with distinct attributes and networks of contacts' (Kalantaridis and Bika, 2006: 109).

It is easy to think that a benevolent attitude towards the local community is not conducive to a profit motive. In this survey, however, a correlation of the combined data for 'employ local people' and 'provide a local service' with the data for maximising income suggests that there is a positive relationship between these goals (Pearson Product Coefficient: $r = 0.25$, $n = 1281$, $p < 0.01$, two tailed). When asked whether profit or a desire to support local produce was more important, an in-migrant restaurateur said:

the two reasons worked together, in fairness we're very lucky, we have a very good butcher locally, a fish merchant, a local dairyman, a good deli ... if you can get stuff that's as good you should be using local business, it's good for everybody.

A couple who moved out of the city to buy a guest house also explained that local service providers 'tend to be very good,' and added 'because they're local, they're accountable'. Despite running several businesses beyond the local area, a locally born rural entrepreneur said 'we use my trusted market town team of accountants for all the businesses', demonstrating the value of trust and familiarity in a business context. In each of these examples, we can see how extra-local networks are benefiting the rural economy because of the social capital that exists in the rural domain.

In some sectors, notably tourism, there is a demonstrable value attached to local inputs. For example, a bed and breakfast owner explained:

We use local porridge oats, and there is Lindisfarne mead so if people haven't tried that they can have a go. The bacon and sausages are bought from the local butcher and if people love them that much they can go into the nearby town and buy them.

A publisher gave the following quote, recognising the business advantages of working with other local firms:

I'm working more with very small companies and sole practitioners, I find that brings the cost down and also you can build up the personal bit and you've got somebody that will work all weekend for you if its necessary to get a job finished.

This third quote from the owner of a market research company highlights how quickly the distinction between personal and social motivations and business goals becomes blurred:

Supporting the local community ... has to be part and parcel of any rural business because a lot of those people are actually working for us as well ... and they like to see that their company is helping and supporting people in the local community ... it's important that people think quite well of us so that when we do need extra staff, people hear positive things about us so you can get people through the door.

These examples demonstrate the value of embeddedness for rural firms, confirming Jack and Anderson's view that 'entrepreneurial embedding ... creates a link between the economic and social spheres [and] this social bond enables entrepreneurs to more effectively exploit economic opportunity' (2002: 469). Kalantaridis and Bika concluded that 'the embeddedness of entrepreneurship differs significantly between in-migrant and locally born entrepreneurs' (2006: 125), making this aspect of commercial counterurbanisation of critical importance for the sustainable development of peripheral rural economies.

These examples demonstrate that 'networking' among rural business owners can mean very different things. It is an abstract and loaded term and the reaction of business owners varies from those who enthusiastically embrace the concept to those who find it objectionable. In reality, all business owners have a range of relations with other people that provide support, information and opportunities for their business.

One group of businesses in a small village have joined together to hold regular meetings to offer support and information to those involved. Initially this was encouraged by the estate that owns many of the properties but subsequently, it has evolved to be led by the local business owners. The new chairperson, who

moved to the village and opened a small gallery, commented that 'it gives us a kind of focus as businesses in the village'. She also explained how their stronger voice had allowed them to hire consultants and bid for funding for certain local improvements, actions that would have much more difficult unilaterally. Through her personal networks, and more specifically her experience of engaging with a range of business organisations and events, she has been able to attract greater publicity for tourism in the village and through her technical skills she has contributed to a village website which features all the businesses in the group.

While this is only one example, it highlights the potential for in-migrants to act as a stimulus, so long as the social infrastructure enables engagement. Her actions to promote the gallery are beneficial to other businesses and this helps to build social capital as well as to improve the business environment in a small, peripheral village. While policy might not be able to create networks, it should seek to promote opportunities for the organic evolution of local network groups and where these are open to in-migrants, the combination of local and extra-local attributes can generate true neo-endogenous development processes.

The in-migrant now chairing this village business group had moved to the area with no intention to start a business. The opportunity only became apparent through interactions with other local people and conversations with other creative business owners outside the immediate locality. Although not discussed in great detail in this chapter, in-migrants who plan to start a business when they move and those for whom it was a later decision are exposed to different influences that affect the decision to start a business as well as their ongoing business operations. Statistics show that 'planned start-ups' have a stronger growth orientation, are more optimistic about their business while 'unplanned start-ups' are smaller and tend to mirror local firms in many of their characteristics. Policy in the UK has recognised the value of attracting entrepreneurial in-migrants to rural areas (Countryside Agency, 2003; One North East, 2006) but this research suggests that these individuals may come from a wide range of backgrounds and their entrepreneurial behaviour will depend upon influences within and beyond the rural area in question.

Conclusions

Commercial counterurbanisation is strictly defined as the growth of rural economies stimulated by inward migration. This research in the North East of England has shown that in recent decades the proportion of rural microbusinesses owned by in-migrants has increased and the rate of rural business formation has grown. With both older businesses and businesses owned by local people being on average the least growth orientated, in-migration is considered to be a welcome catalyst for rural development. This process of modernisation and regeneration in the rural economy, while maintaining links to core rural identities, lies at the heart of commercial counterurbanisation. The concept is strongly influenced by neo-endogenous theories of rural development but introduces a stronger economic focus.

‘Commercial counterurbanisation’ can include two stages. In some cases, individuals move with businesses or with the clear intention to take over or establish a business, but for others there can be a significant time lag between the residential and commercial decisions. This adds a complexity to the concept of ‘commercial counterurbanisation’ as individuals can be influenced by both local and extra local factors and the extent to which business owners are embedded within their local community can have a significant impact on their outlook and the characteristics of their businesses. With 60 per cent of in-migrants having no intention to start a business at the time of their move and 40 per cent planning to enter self-employment while still living elsewhere, it is apparent that policy must ensure that there are opportunities for existing local residents to start businesses but it must also embrace potential entrepreneurs from beyond the region.

Whether through trade networks, migration, tourism or national and super-national policy regimes, even the most peripheral economies are increasingly exposed to outside influences. Castells (2005) emphasised the importance of connectivity beyond local communities through networks that span local and global systems and this research has highlighted the potential for in-migrant business owners to enhance that connectivity. As well as maintaining networks of relations that provide access beyond local areas the research has shown that in-migrants are becoming embedded into local communities, thereby helping to support local cultural identities and expanding the local resource base.

In this chapter, the emergence of in-migrants as a force for economic development has been evidenced and, moreover, it has been claimed that their role transcends the direct economic impact of business creation. The spread of people, technology and modern approaches to working are stimulating growth in a rural economy that continues to experience a period of restructuring. The movement of people opens up new opportunities for all rural businesses to participate in a wider range of activities and markets and this has been demonstrated to provide benefits for the local economy through employment creation, new trade and the development of networks that are rich in human and social capital.

This chapter has not sought to engage with existing ‘narrow’ and ‘academically stagnant’ debates of counterurbanisation (Halfacree, 2008) but instead to highlight the economic contribution of counterurbanising business owners. This raises awareness of the wider socio-economic realities of migration and business development in an open rural economy with increasingly complex patterns of networks. For continued development in the rural economy there needs to be an understanding of the processes that lead to business formation, growth and continuity as well as the motivations of the actors involved. It is proposed that this will allow business support to be properly targeted with essential services made accessible for a new wave of rural businesses which can in turn safeguard the economic and social viability of peripheral rural areas.

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11 Entrepreneurship in the periphery

A resource perspective

Nikolina Fuduric

Introduction

The aim of this chapter is to conceptualise a framework which aids in assessing the development of entrepreneurship in Europe's peripheries. This framework has two parts. There is a descriptive typology of peripheries conceptualised by Arzeni *et al.* (2002). The second part presents resource structures aimed at assessing the peripheries' potential for supporting entrepreneurship as theorised by Shane (2003) and Verheul *et al.* (2001). These structures affect the supply and demand of entrepreneurship. Those affecting entrepreneurship supply include a nation's policies, economy, institutions and industrial structure. Those affecting the demand for entrepreneurship include socio-cultural characteristics and the capabilities of individuals. When these resource structures are assessed against a specific periphery, what emerges is a picture of where development intervention ought to take place and where resource structures are strong and should be left alone. This presents the opportunity to provide tailored entrepreneurship development programmes where previously a one-size-fits-all approach had been taken – with disappointing results (North and Smallbone, 2006).

When compared to most urban areas, the periphery has historically been viewed as a challenging space for the entrepreneur because of a lack of agglomeration, resulting in lower levels of resources. With the advent of more accessible ICT (information and communications technology) and with more investment in physical infrastructures, peripheries throughout Europe are becoming increasingly diverse and are in a state of transformation. Within this dynamic environment, it is important to explore the potential and limits of entrepreneurship development. This is important for two reasons. First, enterprising activities have the potential of generating employment, contributing to the development of a diversified economic structure, improving the innovative capability of the economy, and contributing to economic development through the generation of foreign sales and/or import substitution. Second, a main point in the EU development agenda is to revive lagging regions.

As a result, a series of attempts have been made by academics to develop typologies to capture rural diversity. Yet, none of these typologies is generally accepted or systematically used in research or in practice. Entrepreneurship development

programmes in European peripheries have their challenges as well; their results have been mixed to disappointing (North and Smallbone, 2006). Some of the reasons argued by North and Smallbone are that they mimic practices from more munificent cores, therefore being used out of context. They further emphasise that European peripheries have difficult access to resources, insufficient human capital or local institutional support, making entrepreneurship solutions from urban settings not applicable. A new, systematic way of approaching the development of entrepreneurship in peripheries is needed.

This chapter attempts to supply a simple and comprehensive framework to study entrepreneurship in different peripheries. It has been used in an examination of entrepreneurship in two Post-Socialist peripheries by the author (Fuduric, 2009b). This chapter begins with outlining the difficulties of conceptualising the notions of ‘entrepreneurship’ and ‘periphery’. A table is presented with previous periphery typologies and some ideas are presented as to why they are not being systematically used in theory or practice. A new framework is presented which has been inspired by the work of Arzeni *et al.* (2002), Shane (2003) and Verheul *et al.* (2001). The end result is a framework whose use is flexible in determining what kind of periphery is being assessed, what resources are present, what kind of entrepreneurship can be sustained and finally what interventions are needed to support peripheral entrepreneurship.

Literature review: a problem with definitions

The notions of *entrepreneurship* and *periphery* have similar challenges. Neither has generally accepted definitions in the fields where they are used and, as a result, they have meant different things in different research contexts. In research, policy-setting and in the practicalities of regional development there is some confusion as to what kind of entrepreneurship is actually needed for the economic development of regions. In addition, there is also confusion as to what kind of peripheries support entrepreneurial development. These issues and the variety of definitions and typologies are explored in the next two sections.

Periphery: definitions and typologies

Historically, defining the periphery always seemed to need a comparison to the urban core and was often viewed as a place of underdevelopment, as in the following excerpt:

Development of and access to knowledge, human capital, sophisticated communication networks and product technology is severely restricted by a division of labor that favors core over hinterland, wealthy over poor, politically strong over the weak, multinational firms versus local.

(Beck *et al.*, 1978)

Peripheries are considered to be places without stimuli for innovation because relevant stakeholders, knowledge and support organisations, specialised sources, skills and competencies are found in the core (Asheim and Gertler, 2005; Cooke, 2002). Moreover, economic literature stresses that firms in the periphery often provide low value products and services, remain small and have little hope for change (Whitely and England, 1990). The obstacles to higher quality businesses, those generating economic growth and job creation, are venture capital equity gaps (Johnstone and Lionais, 2004), labour skill gaps (Davis and Hulett, 1999; Massey, 1995), lack of financial and business support institutions (Johnstone and Haddow, 2003) and a lack of institutional thickness (Amin and Thrift, 1994).

Along with this traditional perspective of a periphery, more perspectives are being explored in research. Cooke and Morgan (2000) suggest assessing rurality as an ‘associational capacity to create and sustain a robust architecture for generating and using knowledge’ from a wide variety of sources. The periphery has been experiencing changes that have led to an ‘externalized and consumerized’ countryside (Labrianidis, 2006), one which exhibits a wide range of potential external relationships and is subject to a wide range of demands (Lorentzen, 2009). Therefore, at present, it is generally agreed by researchers that the simple definition of peripherality based on the historical rural/urban dichotomy is not useful anymore.

Defining the terms rural or periphery¹ is not simple because they are used in different contexts. Dinis (2006) has categorised the definitions into what she calls ‘common sense’ definitions which include:

- 1 A behavioural definition which is embedded in sociology and assumes there is a distinction between rural and urban behaviours. These behaviours are assumed to be traditional and conservative. This distinction is becoming more blurred with improving physical infrastructures, decreasing costs of and increasing access to ICT.
- 2 A functional definition, embedded in economics, is based on the economic and occupational characteristics of these areas. This has traditionally been associated with agriculture or the exploitation/cultivation of natural resources. These activities are declining in Europe instead being supplanted by industrial activities.
- 3 The ecological definition characterises rural areas in terms of their natural environment. It had connotations of interpreting human activity as being negative. Recently, cultural and social components emphasise the sustainability of these natural environments.

The three definitional categories show that rural/peripheral descriptions are multifaceted and complex. In fact, the European Commission have come to the same conclusion when they stated:

that rural areas are complex economic, natural and cultural locations which cannot be characterized by one dimensional criteria ... with regard to paths

taken in development and prospects for development, they differ greatly from each other.

(European Commission, 1999: 23–4)

To understand the potential of entrepreneurship in peripheries, a useful definition of periphery has to have a component which leaves room for complexity and addresses the distance/proximity to resources or opportunities. The definition below includes this perspective and is used in the conceptualisation of entrepreneurship in the periphery in this chapter. ‘Peripherality is the condition experienced by individuals, firms and regions at the edge of a communication system, where they are away from the core or controlling centre of the economy’ (Goodall, 1987).

The defining characteristic of a periphery for the purpose of entrepreneurship development is found in answering the question: how far away from the core or controlling centre of the economy is the periphery in question? How does this physical, cognitive and cultural distance (Lorentzen, 2005) affect the identification of entrepreneurial opportunities and the collection of resources?

The next examination of periphery typologies takes the definition above one step further by assessing the status of periphery resources. Research attempting to develop typologies in order to capture rural resource diversity is summarised in [Table 11.1](#).

[Table 11.1](#) provides some clues as to why no single typology is generally accepted in the fields of regional development or entrepreneurship. Four characteristics of the research preclude the universality of any one typology. They are:

- Typologies are too specific to one region or one nation.
- There are not enough detailed descriptions to be useful. For example, the EU NUTS 5 periphery is mainly described by low population densities.
- Adherence to the overarching idea that agriculture is the dominant description of peripherality when, in fact, agriculture is a declining activity in most peripheries in Europe (OECD, 1994).
- Ballas *et al.* (2003) provide 25 typologies generally based on accessibility, competitiveness, economic performance and dependence on agriculture. This research is thorough and scientifically rigorous. It provides many typologies perhaps useful for policy and geography; however, it tends to offer little information as to what resource strengths are present to support the development of entrepreneurship and what resource weaknesses should be remedied.

Of all of the typologies, only the one provided by Arzeni *et al.* (2002) has two characteristics which could be helpful in understanding peripheral entrepreneurship: simplicity and flexibility. They identified rural areas in Europe according to their specific characteristics based on placement, resources or dominant activity. They are:

- 1 rural areas near urban centres
- 2 rural areas which have natural, leisure, historical or traditional value

- 3 agriculturally dominant rural regions
- 4 remote regions.

This typology leaves space for its own evolution. Conceptualisations from other researchers can easily fit:

- 1 peripheral areas near border regions (Welter and Smallbone, 2008)
- 2 island peripheries (Bryden and Munro, 2000; Richards and Bryden, 2000)
- 3 medium-sized towns in the periphery (Fuduric, 2009b).

Table 11.1 Typologies of peripheries: contributions from other authors

<i>Author</i>	<i>Paper</i>	<i>Year</i>	<i>Concept</i>
Malinen <i>et al.</i>	Rural area typology in Finland	1994	Rural area typology in Finland
OECD	Creating rural indicators (OECD)	1994	Quantitative criteria Low population density (NUTS 5) Significant role of agriculture
Copus	A rural development typology of European NUTS III Regions	1996	Produced 15 clusters from six factors: agriculture/services, unemployment, demographic vitality, service industry, farm structure, industrial trends. Multivariate analysis
Blunden <i>et al.</i>	The classification of rural areas in the European context	1998	Presented a typology using neural network applications
Leavy <i>et al.</i>	Public policy trends and some regional impacts	1999	Cluster analysis to classify 155 rural districts in Ireland into five types based on population, economy, education, household data, farm data
Pettersen	Microregional fragmentation in a Swedish county	2001	Cluster analysis to classify 500 microregions of a Swedish northern county into manageable groups
Arzeni <i>et al.</i>	European Policy experiences with rural development	2002	Provides a descriptive peripheral typology: near-urban area; historical and traditional value, agricultural and remote
Ballas <i>et al.</i>	A comparative study of typologies for rural areas in Europe	2003	Offer a 'disaggregative' approach for creating typologies for peripheries

Critics of this typology might add that there can be many characteristics within one category, therefore making this typology insignificant. The critics would be correct except that another component is missing and entrepreneurship research has the answer. The missing component which gives each periphery its distinction is the role of resources and opportunities. In the next section, resource structures important to entrepreneurship are added to give greater meaning to the above typology for the development of entrepreneurship.

Entrepreneurship in the periphery: a focus on resources

Literature in the field of entrepreneurship is rich in conceptualising the phenomena. The generally accepted definitions in the field of entrepreneurship have some commonalities. They state that all forms of entrepreneurship have to do with the same process. This process assumes the existence of resources and/or opportunities, and comprises of their identification or creation and exploitation for profit (Shane, 2003).

Entrepreneurship research has taken place on the following levels: individual, firm, regional, national and international. In terms of ideal contexts for entrepreneurial activities to take place, Malecki (2003) state that cities are the best places because of the agglomeration of resources. Entrepreneurial activities have been recognised to have positive impact on endogenous development on the national (Carree and Thurik, 2003), the regional (Acs and Storey, 2004; Fritsch, 2007; Keeble *et al.*, 1990), as well as the local scale (Julien, 2007). There have been conceptualisations of productive, unproductive and destructive forms of entrepreneurship (Baumol, 1990; Bosma and Harding, 2006). Innovative, high technology or growth entrepreneurship is the most extensively researched form of entrepreneurship even if it is the rarest occurring form (Reynolds *et al.*, 1999). Research trends show that more mundane forms of entrepreneurship are rarely studied because they are too idiosyncratic (Shane, 2003) and unimportant (Scase, 1997). Therefore, the research status for entrepreneurship in peripheries is left wanting.

Despite the obvious weaknesses of peripheries to support robust entrepreneurial environments, policy expectations continue to be placed on entrepreneurship as a tool of regional economic development (EU Commission, 2006; OECD, 1994, e.g. national governments). Even though research has been fragmented or largely ignored, policy makers are in need of answers as to how to go about developing peripheries through the development of entrepreneurship.

Why does entrepreneurship seem to hold such promise for economic development? Entrepreneurs are natural scanners of the environment where their activities mine resources that are unique to the periphery in question. By definition (Shane and Venkataraman, 2000), they tend to see opportunities where others do not. Hence, they have an important role to play in any economic and social change. They are able to 'commodify' the values emerging from the periphery and shift these values from an existing-use value to a new, higher market value (Julien, 2007). Johansson *et al.* (2002) summed up this phenomenon quite well when they wrote that: 'Entrepreneurs combine socioeconomic vision and concrete action.'

The social and the economic are inextricable when considering development of the periphery. Therefore, the entrepreneur is perfectly poised to create change in this environment.

A resource based view of entrepreneurship is critical in understanding if entrepreneurship development should take place at all. Entrepreneurial opportunities exist because different economic actors have different beliefs about the value of resources (Kirzner, 1997; Schumpeter, 1934; Shane and Venkataraman, 2000). According to Alvarez and Busenitz (2001) heterogeneity is a common attribute of resource based and entrepreneurship theory. They further elaborate that resource based logic focuses on the heterogeneity of resources (originally from Penrose, 1959) while entrepreneurship theory focuses on the heterogeneity of *beliefs* about resources. Both adopt the same unit of analysis – the resource.

Where do resources instrumental for business venturing come from? Shane (2003) and Verheul *et al.* (2001) make a distinction between resource structures affecting the supply and demand of entrepreneurship. The demand side resource factors represent the opportunities for entrepreneurship and are influenced by policy decisions, the status of the economy, the industrial structure, the robustness of formal and informal institutions, the culture's acceptance of business venturing and profit seeking. The framework would be incomplete with just the demand side factors because entrepreneurship is an individual pursuit. Supply side considerations like the capabilities of individuals have to be included, which encompass: education, career experience, role models, training. Table 11.2 in the next section shows how Arzeni *et al.*'s periphery typology (2002) and the demand/supply factors (resource structures) of entrepreneurship come together to make an assessment of a periphery's potential to support entrepreneurship.

The analytical framework: peripheries and resource structures

The goal in developing the framework is to define the entrepreneurial potential of different peripheries through the assessment of their resources. Therefore, the aim of this section is to present this framework in Table 11.2 where the issues integral in each periphery type are briefly considered. Thereafter, each resource structure is characterised from the standpoint of its importance for entrepreneurial venturing.

Even if more periphery types could be added to Table 11.2, for simplicity's sake, I will remain with Arzeni *et al.*'s original typology. Each periphery has general characteristics which are described as follows. Those near urban settings have topics dealing with their integration to metropolitan areas. They face issues related to supplying housing to city workers and defining a local identity. Those peripheries with natural, traditional or historical value are concerned with defining experiences to be 'packaged' for tourism and the local population (Lorentzen, 2008). The sustainable exploitation of their resources is an important theme on the development agenda. Agricultural peripheries compete in regional, national and international markets. Competition, import/export laws and commodity prices

Table 11.2 The resource matrix for peripheries

<i>Periphery description</i>	<i>Policy</i>	<i>Economy</i>	<i>Institutional structure</i>	<i>Industrial structure</i>	<i>Socio-cultural structure</i>	<i>Aggregate individual capabilities</i>
Near urban setting						
Historical and/or natural and/or traditional value						
Agricultural						
Remote						

influence the level of development in this region. Remote peripheries are defined by being in distant territories with varying degrees of ICT and physical infrastructure access. They are often plagued by out-migration and low resource structures. Policy makers often have the task of defining if there is enough social and economic meaning in such places to make development efforts worthwhile.

In the next sections, resource structures are presented which influence the levels and quality of entrepreneurship. They are: policy, economics, industrial, institutional, industrial, aggregate human capabilities and socio-cultural factors.

Policy

There are multiple ways to evaluate policy effects on entrepreneurship in peripheries. There are generic policies affecting the economic well-being of a nation which influence the supply and quality of entrepreneurs. There are also policies directly designed to support entrepreneurship development such as initiatives to decrease the bureaucracy around starting a business or to provide incentives for the commercialisation of university research.

Economy

Entrepreneurship research often states that the most important support structure for entrepreneurship development is a strong macro-economic environment (Shane 2003; Storey, 1999). Variables important for consideration are inflation rates, interest rates, levels of unemployment, the import/export structure, incomes and disposable incomes along with the general demand structure of an economy. The economic assessment should take place on the national and regional levels to gain the best understanding of the intensity of peripherality of the region in question.

Institutional structure

Institutional characteristics have to do with aspects of social organisation especially with the assembly of agents as parties to a common space. This space is formed by representations, models and rules which affect thought-processes as well as actions (Lorentzen, 2005). Having healthy institutions is necessary to help actors cooperate in a meaningful way which is underlined by trust and the ability to have recourse if someone is not following the rules.

The presence of robust institutions is characterised by the term ‘institutional thickness’ (Amin and Thrift, 1994). These institutions have high levels of interaction among actors, define structures of domination, and serve as a rallying device to underline that the actors are undertaking a common enterprise (Amin and Thrift, 1994). Amin and Thrift state that regions need local institution building if they are to compete in the global economy. When considering the effects of institutions on the regional or local economy it is important to keep in mind that institutional infrastructures are present on various spatial levels (Lorentzen, 2005). An entrepreneur is affected by micro-institutions of co-operation between actors, by regional/national education systems, by industrial associations, by national policies, and by international knowledge exchanges (Lorentzen, 2005). Therefore, the institutions of a nation or region are instrumental in the allocation of resources.

A strong institutional presence can have some weaknesses for a periphery. The structure may be inefficient or too inflexible. It could conflict with other institutions and their policies within or across levels and create barriers for new ways of thinking or action.

Industrial characteristics

The more technologically advanced an industry is, the more likely innovative entrepreneurial opportunities can be derived from it. Having a diverse industrial structure with a mixture of large and small firms strengthens the economic viability of a region. Industrial diversity offers more employment opportunities, therefore more career experience which is positively correlated with entrepreneurship (Shane, 2003). Large firms offer a variety of resources. They provide potential entrepreneurs with outsourcing and spin-off opportunities. They contribute to learning by providing their employees with training, experience in the industry and general business experience (Shane, 2003). Employees are more likely to start their own businesses after being exposed to these opportunities (Shane, 2003).

Based on our periphery typologies, a vastly different industrial structure can be imagined in each type. The periphery near an urban centre can have citizens with high levels of skills and education because of the proximity to power and knowledge structures. Entrepreneurship in this periphery has all of the possibilities the urban centre has. The periphery with historical, natural or traditional value has industries embedded in guest services or in the upkeep of its natural

resources. Its market potential is in offering experiences to local, national and even international customers. The agricultural periphery can have the distinction of being defined on a spectrum between large industrial farms to smaller family plots. This makes a difference as to what forms of agricultural entrepreneurship can take place and if the market for these products are local, national or international. Finally, industrial structures in remote peripheries will differ based on the degree of remoteness and level of resources. These peripheries could be involved in small scale farming, fishing and small service oriented shops.

Socio-cultural characteristics

Socio-cultural characteristics in a nation and community have a large influence on the level and type of economic activity taking place. Previous research shows us that culture can be viewed in many ways.² For the purpose of this chapter, culture's effects on entrepreneurship in peripheries will be viewed from a Hofstedian psychological trait perspective and from a social network perspective.

The Hofstedian perspective assigns aggregate psychological characteristics to assess which societies are more supportive of entrepreneurship. According to Shane (2003) and Hofstede *et al.* (2004) certain psychological characteristics point to a society supportive of entrepreneurship. They are: high levels of individualism (IDV+), low power distance (PD-), high masculinity (MAS+) and low uncertainty avoidance (UAI-). Along with this ideal national cultural pattern, Hofstede and his team suggest that societies not exhibiting these characteristics may spur entrepreneurship because they encourage frustration in people with entrepreneurial tendencies.

The social network perspective suggests that there is a marked difference in the way that social structures, networks and personal ties are used in the periphery and the core (Benneworth, 2003). Rural areas depend more on informal learning processes through their social network than do their core counterparts (Benneworth, 2003). Social networks in rural settings often have more strong ties than weak (Benneworth, 2004). The opposite is true for people living in urban settings (Morris *et al.*, 2006). If Granovetter's (1985) seminal research finds that more opportunities are created through weak ties and inhabitants of peripheries have more strong ties, then the logical outcome is that people in the periphery have fewer opportunities at their disposal. Why is this?

Dynamic social networks secure the influx of new ideas, information and knowledge through what Burt called structural holes (Burt, 2002). Structural holes are linkages in social networks which give economic actors access to other networks which otherwise would not be possible. The more distant a periphery is from a core urban area, the less likely it will be that social networks are large, diverse and have structural holes. This makes it more difficult for citizens of remoter peripheries to have access to different types of information and experiences than what is readily available through their own network.

As supportive as strong networks can be for the citizens' social and emotional lives, this can lead to an 'over-embeddedness' as described by Burt (1992).

Over-embeddedness has a crowding out effect. It can crowd out new influences in the form of information, training, technological development and even new entrants. These new entrants, called ‘in-migrants’, often import different experiences and actions. They enhance the social and economic diversity of a peripheral region. In his chapter in this book, Gary Bosworth states that exactly this ‘balance between local embeddedness and extra-local connectedness’ is critical to the success of rural businesses.

Aggregate individual capabilities

The most important individual capabilities affecting the quality of entrepreneurship are education and career experience (Shane, 2003). Leaving out the effects of ICT for the moment, research has shown that people will have lower levels of education, less diversity in work experience and less access to new information or training the further away they are from an urban area (Anderson, 2000; Beck *et al.*, 1978). If young people in the periphery manage to gain a higher education in an urban environment, they usually choose to stay in the city where opportunities for employment are more plentiful.

Work experience in urban centres is characterised by differentiated task and wage schedules with often well-defined career patterns (Doeringer and Piore, 1971) Thus, citizens in more remote peripheries have less access to diverse job experiences and often have less choice available in designing career paths. Shane (2003) suggests that career experiences integral to successful entrepreneurship come from the understanding of a particular industry and general business experience in marketing, management or accounting.

Considering the shrinking of distances due to the accessibility of ICT, education and training are no longer anchored by place. This new development makes information and knowledge that was once the domain of the core readily available to the periphery. Granted, face-to-face interactions are necessary but, as practice has shown through the proliferation of on-line degree programmes, a large part can be virtual.

Globalisation and information and communication technology

When speaking of the characteristics of the periphery there is a need to acknowledge that the periphery is not a static concept. The notions of distance and cognitive and physical mobility are changing. There are two major reasons that these notions are changing and at the same time changing peripheral regions. The first is globalisation and the second is the increasing accessibility of information and communication technology (ICT).

Globalisation’s effects on the periphery can be positive and negative. One of the positive aspects of globalisation is that it can offer the periphery linkages on the level of trade, financial and technology transfers (Lorentzen, 2009). Peripheries ignored by their national or regional development programmes have access to information, knowledge and markets that previously were inaccessible. A negative effect of globalisation is that increased competition makes it difficult

to compete globally unless human capital is on a high enough level or when an innovation is in question. Thus, it is even more critical for a regional economy to specialise and develop competencies on par with those in the global economy and which cannot be easily copied by competitors (Lorentzen, 2009).

If globalisation's potential for peripheries is anchored in the concept of 'expansion', then information and communication technology is the lubricant that brings this expansion in the form of markets, institutions, virtual social networks, information and knowledge within reach of the periphery's economic actors. The periphery can now start taking advantage of resources previously available only in the core (Suarez-Villa and Cuadrado-Roura, 1993). This 'regional inversion' started becoming apparent in the late twentieth century which had the effect of taking some of the negative edge away from the periphery. As technology potential increases and becomes less expensive, we will continue to witness a shortening of distances thereby making the periphery less peripheral and expanding the palette of opportunities available to entrepreneurs.

What we are witnessing is a blurring of boundaries on many levels, not just between the closest urban core and the periphery, but also between the global marketplace and the periphery. What was once a linear relationship between the core and periphery, is now a mosaic which has the potential of making many different 'cores' available to one periphery (Lorentzen, 2008). The result of these new relationships and distances is that new resources (e.g. financial, information and human) have become available.

Resources becoming available and their actual use are two different things. The ability to use resources unleashed by ICT and the ability to take advantage of global linkages is dependent upon the investment in local relational and absorptive capabilities (Lorentzen, 2005). In other words, it depends on a nation's or region's capability in preparing their citizens to exploit these new opportunities.

An example of an agricultural periphery in eastern Croatia

As mentioned in the introduction, this framework was used for research using semi-structured interviews in a peripheral region in eastern Croatia in November 2007. The research question was: 'How do entrepreneurs in resource poor regions find their resources?' The framework was used to segment the resources mined from the entrepreneurs' answers. [Table 11.3](#) below shows a brief summary of the resource assessment of this region.

[Table 11.3](#) provides a brief example of some of the issues framing this particular agricultural periphery in Croatia.³ The weaknesses column is really a list of issues where targeted interventions can take place to strengthen entrepreneurial venturing. Only 30 kilometres away from this agricultural periphery, entrepreneurs in a medium-sized town were asked the same questions and vastly different answers and experiences were given. This underlines the need to stay with the segmentation of peripheries in a descriptive sense while including an assessment of resources. Only then can an accurate image of the periphery in question be made and relevant entrepreneurship development programmes be designed.

Table 11.3 Resource assessment of an agricultural periphery in eastern Croatia

<i>Resource structure</i>	<i>Strengths</i>	<i>Weaknesses</i>
Policy	Policies designed to decrease the bureaucracy around start-up.	Policies are not implemented to control corruption. Still too much bureaucracy outside of start-up activities. Redundant policies to support entrepreneurship. No national or regional industrial policy. Few import control policies (important for agricultural entrepreneurs competing on price).
Economy	Stable macroeconomic indicators: inflation, exchange rate.	High unemployment (16–30%). Import dominated economy.
Institutions	No institutional strengths were identified.	Institutions supporting entrepreneurship are not coordinated, many duplications. Are seen as wasting resources and are severely distrusted.
Industry	Large number of SMEs providing a growing tradition of business venturing.	Not many large firms. No comprehensive regional industrial policy. Low levels of innovation. Low technology levels. Mainly in food production and low tech manufacturing.
Socio-cultural characteristics	Entrepreneurship, profit seeking, and failure is generally accepted. Social networks are considered one of the most important resources by the entrepreneurs.	Not a traditionally entrepreneurial culture (–IDV, –MAS, +PD, +UAI). Social networks are small and have few structural holes. The higher the entrepreneur's education, the larger the network.
Aggregate individual capabilities	The entrepreneurs have a large willingness to learn more, to experience more.	Low levels of education. Low levels of career experience. Little or no previous business experience. Few chances to learn something new in their fields.

Source: Fuduric (2009b)

Conclusion

The aim of this chapter is to conceptualise a framework which aids in assessing the development of entrepreneurship in Europe's peripheries. This framework has two parts. There is a descriptive typology of peripheries conceptualised by Arzeni *et al.* (2002) which is flexible enough to be augmented by other periphery types as the need arises. The second part assesses the peripheries from the perspective of resource structures affecting the supply of entrepreneurs as theorised by Shane (2003) and Verheul *et al.* (2001).

The need for a differentiated *and* comprehensive way to assess peripheries arises from an inadequate and fractured research interest. This status has affected policy decisions in three ways. The first is that peripheral entrepreneurship policy is replicated on an ad hoc basis taken from measures used in the urban core, which are not always successful (North and Smallbone, 2006). This is seen, especially in Eastern Europe, by the enthusiastic embracing of buzzwords and notions like industrial districts, technology parks, clusters, entrepreneurship centres without a complete understanding of the benefits of such constructs and if the resources of the region in question can sustain them (Fuduric, 2009b; Lorentzen, 1997). The second way policy has been affected is by predominately focusing on the development of the most innovative and high technology driven forms of entrepreneurship (Smallbone and Welter, 2009) which are the most resource intensive, and thus not being applicable for most peripheries. Finally, a third way this lack of clarity in research has affected policy is that entrepreneurship in the periphery is often completely ignored by national or regional support frameworks (Bryden and Hart, 2005).

The framework in this chapter remedies the above issues. First, the periphery is being assessed by entrepreneurs from their special perspective as opportunity-seekers and resource-gatherers. This means that their insights are based on the resource reality of the periphery in question. In other words, the actual *use* of resources or the ability of the population to exploit them is being assessed and not only their presence. Second, the framework organises the entrepreneurs' insights into many segments of society – the political, the economic and the social. This is a treasure trove of relevant, targeted information pointing to the peripheries' strengths, weaknesses and where the most critical (or realistic) intervention points are.

Notes

- 1 From here on, the terms rural and periphery are considered to be interchangeable.
- 2 For a more detailed account of culture please see Fuduric (2008).
- 3 It is outside of the scope of this chapter to show what can be done with this information in terms of policy suggestions or entrepreneurship development. For a detailed view on how this framework was used to assess entrepreneurship in Croatia, please see Fuduric (2009a). For the entrepreneurs' assessment on the resource structures they used, please see Fuduric (2009b).

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12 Transcending orthodoxy

The multi-house home, leisure and the transformation of core periphery relations

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Introducing the concepts

The definition of an area tends to fix our understanding and ability to be aware of important societal phenomena. The core/periphery divide for one may easily swamp inquiry with binary approaches: you either live in the core or not, your home is core located or in the periphery, etc. Our aim is to discuss how spatial and functional housing and home issues are unfolding between an urban core and an urban hinterland which is nature-amenity rich; the societal development this expresses calls for a fuzzy approach rather than a binary one to understand how households organise their lives. The relation between a house in the core and a house for leisure purposes in the periphery establishes one link between the core and the periphery, and this is of increasing importance in Norway (Overvåg, 2009b) and is the focus of attention here.

Focusing on the concepts of house and home, we will argue that a fast growing share of, what is by most called, a 'second home', by markers presented here, more correctly should be called a '*second house*'¹ in a home – a *multi-house home*. This necessitates a separation, by definition, between the house² as a tangible object and the home as a functional unit, and thus something intangible. In a multi-house home, houses included fulfil different or overlapping functions in a coherent functional unit called home. Although multi-house homes may have various configurations, this discussion is restricted to a situation where a household owns a house for recreational functions in the urban hinterland in addition to a house for daily life and work functions in the urban core. We also refer to a situation where a second house is conveniently accessed for weekends and longer periods, and primarily accessed by car. Empirically the discussion is motivated by developments seen in mountain regions in southern Norway in the latter two decades, but we will argue that the conceptual framework has validity beyond this specific setting.

A multi-house home expresses itself in the establishment of a dwelling pattern based on *intra-home circulation* between first and second houses with regularity that justifies using the concept *recreational commuting* to describe the behaviour. The land use pattern connected to multi-house homes can – at the scale it is unfolding today – be seen as an *urban recreational sprawl*. Second housing areas are

penetrating ever deeper into nature-amenity rich hinterlands of major urban areas, pretty much as a function of developments in infrastructure and a steady growth in personal command over space and time (see [Figure 12.1](#)).

Second houses in Norway

Nature-amenity rich rural mountain regions extending from one to four hours drive into the hinterland from major urban areas in Norway have over the last two decades seen a substantial growth of agglomerations of modern buildings dedicated to leisure time usage. Importantly and decisively, the technical standard and comfort of these new structures are on a par with a modern house in terms of accessibility, comfort, living space, connection to infrastructure for water, energy, telecommunication and roads, etc. And like housing areas in general, they are developed in agglomerations which are necessary to carry the costs of an advanced technical infrastructure and as a way to rationalise expansions in land use (Vågane, 2006; Overvåg and Arnesen, 2007). The dwelling trends discussed here are carried by these modern structures and agglomerations, rather than the technically primitive shacks or ‘hytter’ which are often less accessible by car. The ‘old style’ ‘hytte’ – mostly without road access, no water and not hooked to the electricity grid, etc. – did and do not support the emerging dwelling patterns we

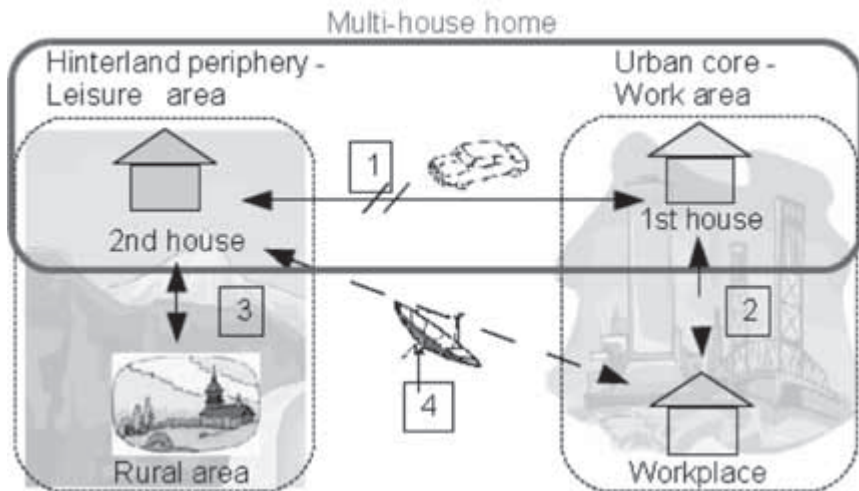


Figure 12.1 Illustration of one set-up of a multi-house home with a first house in the urban core supporting work and daily life functions and served by work commuting (2), and a second house located in the hinterland of the rural periphery supporting the function of leisure life and served by recreational commuting as an intra-home circulation (1). Technologies, as information technology, support multi-house home lifestyles (4). Other set-ups or variants are both conceivable and operative. Figure produced by the authors

outline here. Thus we are observing an evolution in household dwelling habits relating to leisure supported, *inter alia*, by advances in physical development, high technical standards and an agglomerative land use development pattern.

The present stock of housing units thus consists of a mix of old style 'hytter' and the new style second houses. In the following discussion we will refer to the total stock as 'leisure houses'. And it is worth underlining that what we discuss here as the emergence of the multi-house home is an evolution *within* the leisure house tradition.

The situation in the mountainous interior hinterland, in an area encircling the Oslo region within a radius between approximately 100 and 200 kilometres

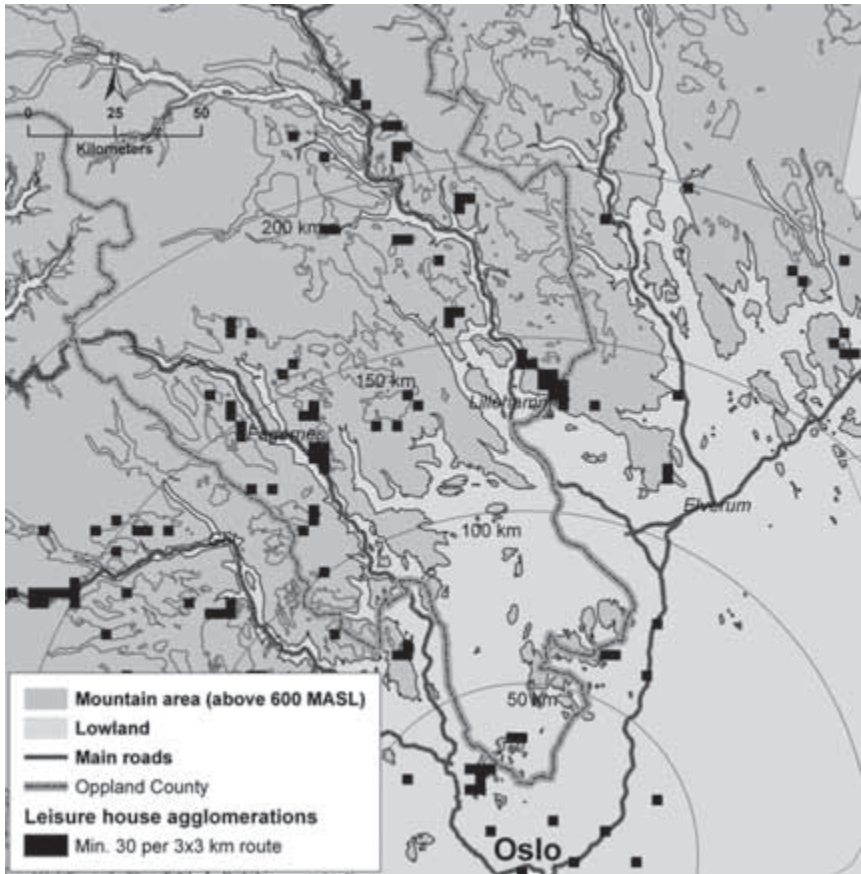


Figure 12.2 Agglomerations of leisure houses owned by residents in Oslo in the mountain hinterland periphery extending 200 kilometre and beyond from the core. Agglomerations are defined as a minimum of 30 units per 3 x 3 km, the average being 75 units and the maximum 570 units. An absolute majority of these have a second house standard. Source: Map produced by Østlandsforskning based on national cadastre data

as the crow flies, will serve as an empirical illustration (see Figure 12.2). The figure shows the density of second houses in the mountainous hinterland (periphery) owned by households in the Oslo urban area (core) (and only those). Oslo is the capital in Norway, and the extended Oslo region has close to one million residents.

As Figure 12.2 illustrates, agglomerations of leisure houses are found in mountain municipalities between 100 and 200 kilometres from Oslo, and with the present road standard this distance is covered in two–four hours drive (more in congested periods). The map segment contains approx 130,000 leisure houses, which amounts to somewhat more than 30 per cent of the total number of leisure houses in Norway. Due to shortcomings in present cadastre data, there is no exact information on the share of leisure houses that have the required standard to support a multi-house home lifestyle. Cadastre data on leisure houses have been systematically improved only since 1997. A conservative estimate is to say that leisure houses built in the peripheral mountain hinterland of Oslo, since 1997, have the standard to support a multi-house home dwelling pattern. Today they make up approximately one-third of the total stock of leisure houses, and at the present growth rate will make up at least half by 2020. The trend is illustrated with data limited to the Oppland County – the county in Norway with the highest number of leisure houses – in Figure 12.3 (for location of Oppland County, see Figure 12.2).

This is a conservative estimate because a considerable portion of ‘hytter’ has not been accounted for, those that have been renovated and upgraded to second

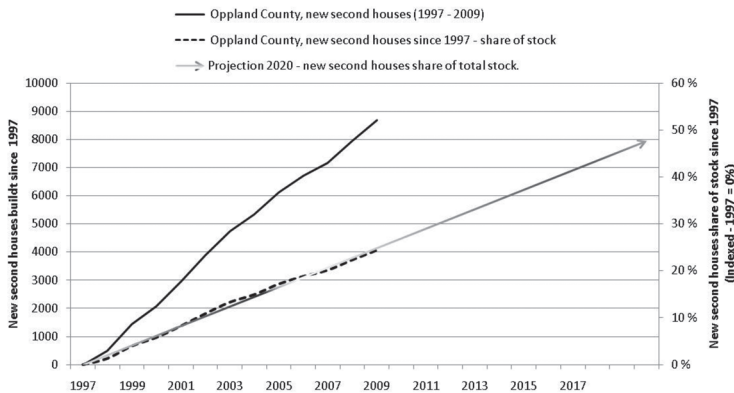


Figure 12.3 Development of new leisure houses in Oppland County since 1997 – absolute number and share of total stock. Cadastre data do not provide reliable information on second houses vs ‘hytter’. A good and conservative approximation is to assume that all units developed since 1997 serve as second houses. In addition to this a non-registered number of ‘hytter’ have been upgraded to second houses in the same period. Source: SSB (2010b)

houses and those that have been integrated in the newly developed second house agglomerations.

The municipalities with these leisure house agglomerations have experienced a sustained decrease in permanent populations. Urbanisation and modernisation have led to declining employment in traditional rural industries and consequently in registered resident populations. Simultaneously, growth in the number of modern second house agglomerations is experienced at the highest national level in these mountainous rural regions (Overvåg and Arnesen, 2007). As a result, second houses constitute a considerable, and rising, share of the total housing stock in these very same rural regions and communities; and similarly their household members during certain periods rising as a proportion of the total resident population.

Driving factors

There are four factors driving growth in multi-house home lifestyles: more households with more money, time and command of space prioritising leisure.

- 1 *Growth in household wealth:* combined with the growth in household numbers (see below), households have seen a marked growth in wealth both in terms of income and assets. Average household income has roughly doubled in the period 1980–2002 (SSB, 2004). Growth has been most pronounced in well-established households with grown-up or no children. A substantial growth in disposable household assets followed, not least, from rapidly rising housing prices from the 1990s, which give grounds for loan financing and substantial higher bequest fortunes. The growth in household wealth is primarily a surplus phenomenon in the middle and upper classes.
- 2 *Growth in household command of space:* an increasingly mobile society, including a growth in the personal command of space, is the general trend that primarily benefits developments of middle-class household institutions and the niche of multi-house home lifestyles. While in contemporary Norway average passenger kilometre per capita per day is peaking just below 35 kilometres – work travel and recreation taken together – the corresponding distance in 1970 was approx 10 kilometres per capita per day (SSB, 2010a). The picture is much the same in all Western societies. Our personal command of space is exercised at huge levels, and it is growing. This is characterised by some as a ‘flow and network society’ (Aronsen, 2004). The way modern highly transport-intensive people attach to places and find themselves ‘at home’ and ‘at ease’ in multiple spots in space is remarkable.
- 3 *Growth in household command of time:* working time-banking is an arrangement of flexible daily working hours. One-third of Norwegian employees have flexible working time arrangements and the opportunity to choose when to start and finish outside their core working hours. Such arrangements are most common among employees in public administration (70 per cent) as well as financial activities (57 per cent); in general, it is most widespread in ‘white

collar' professions that require higher education (Bø, 2004). These typically belong to the middle class and above, where a related personal command of time is developed. Significant also is the increase in holiday arrangements, regulated by law, which now are fully five weeks. As a result of these developments, time consumed for recreational activity has increased for all age groups, and for both men and women over the last 30 years. Statistics shows that the time³ spent in a second house has grown on average by 52 per cent from 1990 to 2000 in the 16–74 age group. Distributed by weekdays, growth from Monday to Thursday has been 118 per cent, 149 per cent on average on Fridays and 33 per cent on average on Saturdays – clearly mirroring the elongation of recreational weekends (SSB, 2002).

- 4 *Growth in the number of households*: this has been due both to a growing population and decreasing household size. The share of Norwegian households owning one of the approximately 200,000 leisure houses in 1970 was then 22 per cent, while the corresponding share of the approximate 2.1 million households owning the estimated 430,000 units in 2010 is still 22 per cent (SSB, 2009). Households are the prime market actors on the demand side of second houses and, as we see, the relative growth in number of units seems to have kept pace with the relative growth in the number of households.

Home, house and dwellers

Having a dedicated leisure house has been part of a lifestyle in aristocratic quarters of society and this has been the case for centuries. Even in Norway, with no aristocratic traditions, it became in vogue among a growing and wealthy bourgeoisie throughout the late nineteenth and twentieth centuries (Sørensen, 2004). Emulation in lifestyle is often seen to propagate from the upper classes through society, as a function of wealth creation and distribution (Veblen, 1899). A more folksy trend then emerged in Norway first in the twentieth century and rose to around 1970 – not least among town dwellers – to acquire what would generally be a modestly priced simple shack-ish construction: small, no electric heating nor indoor water, often without road access and located in a scattered pattern in scenic and undeveloped landscapes. These shack-ish constructions – introductively called 'hytter' – are hardly developed now. They do represent the legacy in the folksy leisure house tradition and, as shown in the preceding discussion, still make up a considerable share of the existing stock of housing objects used for recreation. But the trend is undisputedly clear: The growing middle class – in terms of wealth and influence – finds a multi-house home lifestyle with a high standard second house worthy of emulation – in accordance with a Veblenian type process of evolution in the institution of home.

Institutions are, according to Veblen, 'habitual methods of carrying on the life process in community' (Veblen, 1899) and, as an established social practice, a habit of thought, or a form of organisation (O'Hara, 1999), they are something intangible. The factors discussed above – growth in household wealth, improved household command of time and space – will have profound influences exactly

on household life forms or processes, their preferences, their social practices, their decisions and transactions, their ideas, ideals and aspirations on how to live a good life. This puts an evolutionary pressure on institutions, and ‘home’ is a susceptible candidate for change here.

‘Home’ is often seen conceived as a house and residence of a household. But a house is a tangible object, while home as an institution can be conceived as domestic and repetitive functions performed by members of households as dwellers, typically being in work, education, feeding, sleeping, child rearing, shelter, personal property storage and recreation. These home functions are located in something tangible, namely one or more houses, but cannot be reduced to something tangible. It is appropriate also to address ‘habitual methods’ on the topic of frequency: in the context we address recreational functions here, it is frequent weekend and elongated weekend stays, as well as longer more or less regular holiday stays, which are projected. It is important to underline this connection between frequency and the material prerequisites for supporting the desired ‘life process’, because it marks a watershed in traditions. The old style ‘hytte’ does not lend itself to the sought after frequency and practicality in use that a modern second house does. Thus, with pecuniary resources, command of time and space, a household prefers to span household functions over several modern house localities to draw the best of two worlds; the core in what it offers in terms of work, high culture, network, education, shopping, etc., and the periphery in terms of recreation, outdoor activity and in general stressing down and getting fit. But the ticket, to repeat, to this lifestyle is a ‘normal’ house in the core, and a second house for recreation in the periphery that is within a weekend reach by car and can comfortably be used in a frequent on and off mode. Access, comfort and vicinity to outdoor activity facilities then become in demand, and the typical pursuant result is growth of resorts and agglomerations of second houses around alpine slopes, etc.

Mallet (2004: 63) makes a similar observation on house versus home: ‘home is not confined to the house, but “locates lived time and space”’. Perkins and Thorns (2006: 81) also stress a similar point of view: ‘Rather than seeing the primary and secondary (house) as separate we need to see them as linked spaces that together constitute a ‘home’ and a continuum of experience’. The same point is made by MacIntyre *et al.* (2006: 314): ‘The reality for many is a multi-centred lifestyle where work, home and play are separated in time and place, and meanings and identity are structured around not one, but several places and associated circulation among them’.

Residency status

The relation between second house dwellers and the local community where the second house is located is of interest to examine. Their status as residents is problematic and subject to discussion (Hall and Müller, 2004; Gallent, 2006). Gallent (2006) reports frequent negative attitudes towards second house households in the UK, asserting that they do not contribute to local communities where the second

house is located. In the debate in Norway, second house dwellers are occasionally mentioned as ‘intruders’, ‘outsiders’, ‘conflict makers’ etc. towards the local population (Nordbø, 2007). Mostly though, the level of conflict appears to be lower in Norway than what seems to be the case in other countries, mainly because second house agglomerations and rural settlements to a large degree are separated, both spatially and commercially (Overvåg, 2009a). Given our conceptual approach, how could their status be understood; a question put as a sociological one and not in terms of formal census counts? The concept of multi-house homes implies the claim that household members are at home when residing in their second house as well. The second house is a permanent residence, though periodically but frequently resided in. One might ask what the sociological markers are for this version of residency status, and how does their status divert from other groups in a local community? The question has to be addressed as a search for archetypes. There will be varieties transgressing archetypal profiles, but for the present discussion archetypes are sufficient. So, keeping in mind that the communities in question are located in nature-amenity rich mountain hinterlands to major urban cores, it is interesting to contrast second house dwellers to two other groups, namely traditional permanent residents and tourists. Second house household members constitute a segment *different* from tourists at a given location by two decisive markers:

- by having a fixed investment in a residence integrated in a multi-house home
- by recurrently residing in the second house as part of being at home.

By these two markers they are not tourists when dwelling in their second house, they are at home. They constitute a segment different from what, by orthodox standards, is perceived as permanent residents by two other markers:

- by the main purpose for being there, which is recreation and leisure and not other basic household functions like work and education
- by the rhythm of the recurrence, typically weekend, elongated weekend and holiday presence.

As a consequence, second house dwellers are neither tourists nor orthodox residents. This opens an interesting discussion on rights, obligations, attachments and exchanges relating to second house dwellers and the community where the second house is located. Those perspectives, though, will have to be addressed in another paper.

Recreational commuting

Urry (2000) claims that mobility now is at the centre of modern life and that people live in constantly changing landscapes of ‘scapes and flows’. How could we characterise the kind of mobility associated with multi-house homes, and what scapes and flows are to be associated with the multi-house home phenomena?

Both touristic and multi-house home mobility involves travelling from one dwelling to recreate in another, but where they differ is that multi-house homes are based on a recurring pattern of mobility between a first and a second house. Hall and Williams (2002) have discussed how this has created unusual forms of mobility allocated at the intersection of migration and tourism.

What we define below as ‘*recreational commuting*’ between first and second houses is a category of mobility to be associated with multi-house homes. Circulation is short-term repetitive or cyclical movement, and where the intention is *not* to change the place of residence (Ogden, 2000). This does comply with Müller (2002) for whom circulation is a mobility that should be connected to ‘weekend’ second houses. Again, given the concept of multi-house homes it follows that it involves a circulation embedded in household functions as an *intra-home* circulation. This separates it from tourism as circulation which is an *extra-home* circulation, a circulation that involves dwelling in non-home units. Hence, there is a new geography of scapes of work and scapes of leisure inducing a new flow between functionally different but complementing houses. And the intra-house circulation embraces the core and the periphery within the institution of the home.

Too little, but still some, is known about the scale of this process. In Norway this type of commuting has been receiving some attention. In a study of one of the main roads in eastern Norway it was estimated that this flow constituted about 10 per cent of all traffic (average annual daily traffic) at a given location connecting the Oslo-core and the periphery in mountain hinterlands (Figure 12.2) (Overvåg and Ericsson, 2007).

The discussion may benefit from making another distinction: between recreational commuting and urban recreational sprawl. While commuting is movement, sprawl is material growth.

Urban recreational sprawl

Urban sprawl, as far as it applies to housing, is generally conceived as the spreading of housing functions of a city into suburbs in rural land fringes of an urban area (typically hills, lake- and river- banks, coastal areas). Characteristics are single-use zoning, low-density land use and car-dependent communities. These developments in Europe are allegedly rooted in the desire to realise new lifestyles in suburban environments, outside the inner city (EEA, 2006). The traditional urban sprawl costs are, for example, lost farmland, daily commuting and putting public financing under pressure (Sjøquist, 2003). While urban sprawl usually denotes how work, living and industrial areas emanate from urban centres, seize and imprint an expanding area (Galster *et al.*, 2000), urban demands for recreational areas show a sprawl with its own unique spatial dynamics and characteristics.

Recreational activities have ‘always’ sprawled into the hinterlands of towns and cities (Lundgren, 1993; Richardson and Bae, 2004; Overvåg, 2009b). We suggest introducing the concept ‘urban recreational sprawl’ describing the

process where urban located households invest resources in a second house for recreational functions in nature-amenity rich rural hinterlands of the urban core at a leap-frog distance of between one and four hours driving from city cores (cf. Figure 12.2).

This is in accordance with Müller and Marjavaara (2004), who argue that second home development plays a role in urban growth contributing to the diffusion of urban space. Urban recreational sprawl is a less studied phenomenon than traditional urban sprawl, but issues such as land use, aesthetics, transport and economy should be addressed in this context too. Urban sprawl is generally seen as an indicator of less compact living. Whether urban recreational sprawl resulting from multiple-house homes development should be conceived likewise is debatable (Buckley *et al.*, 2005). One might suspect that the option to perform an urban recreational sprawl into the hinterland in itself has effects on development patterns in urban cores themselves. It is possible that households accept or even prefer more compact living and housing conditions in city cores in exchange for space in a second house in the rural hinterland – but this is another debate. Our errand is to point to the situation whereby a recreational version of urban sprawl has become an important agent of change in many rural areas, when second house developments put their marks on landscape, economic and social life in multi-house home intra-home circulation.

The second house lifestyle is dependent on high and apparently growing mobility, making it quite reasonable to expect that the frontier of urban recreational sprawl structures will penetrate ever deeper into the rural hinterland of urban centres and make a lasting physical and social imprint on affected rural societies.

Multi-house homes and core–periphery–relations

It should come as no surprise that the significant growth seen in household wealth, command of time and space ooze into a stronger institutionalisation of recreation in life – this is in line with a Veblenian observation of the status of leisure in society. We have seen tourism grow to a major industry worldwide for many of the same reasons. It seems reasonable to ascribe the growth of multi-house homes to a parallel process, but one which should be acknowledged as different from tourism, with effects on society and especially on core periphery exchanges and permanent relations.

In principle the multi-house households, with their circulatory intra-home lifestyle, have the potential to redefine the relations between the core and the periphery in other ways than the conventional migratory process seen in urbanisation. And as more households are enrolled in this multi-house home lifestyle, it becomes quantitatively relevant and could affect not only the geography of household economics, but also the core periphery exchange. Interestingly enough, this trend also represents a functional specialisation of recreation. Further, it should be discussed as a possible ruralisation of recreation in society, while urban life keeps its grip on work life, on educational and cultural institutions, etc. A ruralisation of recreation has a flip side of considerable sociological interest too, as it also means

an urbanisation of the rural areas that manifests itself along two lines: physically by the development of new housing agglomerations, and sociologically by a substantial increase in the rural presence of permanent, recurring urban dwellers (Overvåg, 2009b). More research is needed to analyse this emerging home system and its effects on society.

The intra-home circulation, that is developed in multi-house homes discussed here, transcends conventional migratory patterns found in urbanisation that otherwise is feeding the core with people and functions from the periphery. The multi-house home represents a unity cutting across the dualism of core periphery – we are talking about one home present both in the core and in the periphery. It represents a persistent private economic counter current from the core to the periphery through household economics, in terms of fixed investments and running costs to support the consumption in recreation in focus here. We advance this as a qualitative argument in this discussion, and leave it to further research to quantify the economic currents in question.

Simultaneously with this growth of agglomerations in rural areas, migration patterns in Norway have been dominated by urbanisation and net migration of people from rural to urban areas. Urbanisation is and has been a persistent and ongoing process in Norway. In the post-World War II period, there has thus been a net drain of people from rural to urban societies. There is little evidence of a shift in these migration trends in the years to come. On the contrary, the urbanisation process in Norway picked up during the 1990s and is continuing into this decade. This contrasts Norway to many other western countries, which have experienced a net migration from urban to rural areas, labelled as counter-urbanisation (Kontuly, 1998). Halfacree (2010) has discussed how leisure house owners represent a form of ‘counterurbanisers’. Flognfeldt (2002) has discussed the phenomenon as a form of semi-migration. So, maybe what we are seeing in a multi-house home lifestyle is a Norwegian version of counter-urbanisation. And a strong version it is, a version that redefines relations between the core and the periphery by one of the most significant arenas in society: the home. What repercussions this will have both at the present level, and not least as – and if – this lifestyle expands further, remain to be seen. Gallent and Tewdwr-Jones (2000) have discussed housing demand, displacement and housing policy issues that leisure houses represent in the rural area – a topic that so far has been fairly harmonious in Norway due to the fact that second house agglomerations in mountain areas are developed in separation from established rural centres (Overvåg, 2009a). As for now, the fact that it is the well-off middle class and beyond that are representing the trend is in itself of importance. This is a class with resources and networks to advance and protect their interests. So, following this trend is following the money and the power, making it relevant to put up the question, as Halseth (2004) does: is this a new elite formation coming from the core enclosing a landscape that should have multiuse and exclude others or at least non-recreational users in the periphery? Or does it present the host communities in the periphery with a new development impetus?

We find compelling reasons for pointing to significant changes in leisure house developments in the last two decades taking us from the scattered, low standard 'hytter' to agglomerations of high standard second houses. Policy considerations in planning and management do not fall into line and address the changes. When the expansion of 'hytter' started in the 1960s, this was not regulated by the Building Act. The need for a policy was obvious and a 'Mountain team' (Sømme, 1965) was established. Their advice was to enforce a distinction between developed and undeveloped areas. Leisure house developments should subordinate to nature and culture landscape considerations, including not be built on bare rocks, along shores and rivers. This policy is still enforced. The agglomerative developments of second houses are only partly addressed by policy authorities, but guidelines are nevertheless the same. The social consequences are not taken into account (Skjeggedal *et al.*, 2009). We find the same 'blindness' in regional policy and even regional research policy where the perspective of recreational regions and new leisure driven core periphery dynamics are absent. These are all questions that should be followed up in further research on the multi-house home trend as it redefines relations between the core and the periphery.

Notes

- 1 When referring to work done by other colleagues, we preferably use their denotation for the object.
- 2 We could have used the more non-discriminatory concept 'residence' rather than 'house' as the same set of arguments we deliver here also allegedly apply to households who have invested in e.g. flats rather than houses. But we have for now settled for focussing sharply on the most widespread situation in our Scandinavian context, which is a multi-house home.
- 3 Time spent in a recreational house ('hytte' included) for cohorts between 16–74 years of age – Period 1980/1990–2000.

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13 Economic and enterprise development in community buy-outs

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Introduction

As is apparent from most of the chapters in this volume, land and community ownership and management of assets are fundamental to economies and societies throughout northern Europe. While there are differences in tenure across the Nordic countries, they tend to be dominated by smallholdings or the communities themselves; contrasting with this, in the Celtic countries large scale, and often absentee, land ownership and feudal rights have long been the norm and so development has been influenced by and dependent on a different set of imperatives from where those who live on the land are also strongly involved in its ownership and management. This contribution to the book outlines the fundamental changes taking place in land ownership, and development contingent on this, in remote and difficult to access areas of the Highlands and Islands of Scotland. The central argument is that the change in land ownership has created a space within which local people can nurture and develop the capabilities which will help communities to sustain and grow. The specific type and nature of economic development depends on the particularities of each community buy-out. A common theme to emerge is a reliance on sustainable economic strategies and policies. The chapter first offers a brief historical perspective of the significance of land ownership in the Highlands and Islands of Scotland, before describing the economic context of the region. It then presents a theoretical perspective, utilising the rules and property rights literature, articulated in particular by Ostrom (2008) and Schlager and Ostrom (1992), to analyse the processes at work which have created opportunities for economic development within these communities. The chapter then focuses on case studies of community buy-outs to illustrate the theoretical underpinnings and finally offers a conclusion, policy recommendations and ideas for further research.

Historical and economic contexts

The communities which have bought their land are part of the Highlands and Islands economy, an area which covers half the land mass of Scotland yet accounts for under 10 per cent of the population. In recent years the population has been

growing and in 2005 there were 440,761 inhabitants (HIE, 2007). However, there is variation across the region, with some areas showing substantial declines. For example, the population of the Western Isles fell by 10.5 per cent from 1991–2001 (Scottish Government, 2008) and the more remote areas are projected to fall further.

As with much of northern peripheral Europe, an elementary characteristic of the region is its low population density, with 9.3 people for every square kilometre, compared with a Scottish average of 64.8 and a UK figure of 242.4 (Scottish Government, 2008), and beyond the Inner Moray Firth falling to the lowest in Europe outwith northern Scandinavia. Again paralleling the experience across these higher latitudes, the demographic challenges point to an ageing population and out-migration of younger people, although some areas have been experiencing growing numbers of in-migrants (Danson and Jentsch, 2009). The areas under greatest demographic distress – declining and ageing population with young people leaving – have tended to be those where, historically, the landlord system has been most oppressive (Dressler, 2007).

There were 188,000 people working in the Highlands and Islands in 2005, with a sectoral pattern broadly similar to the country as a whole: paid employment concentrated (nationally 53 per cent and regionally 60 per cent) in public administration, education and health, and distribution, hotels and restaurants. However, productivity and wages tend to be lower in the Highlands and Islands compared to the rest of Scotland, reflecting the relatively low levels of utilisation of available skills and the lowly status within supply chains, typical of the technology associated with much of the activity further away from the core. There is also a greater concentration of work in small firms (46 per cent compared with 32 per cent for Scotland) and in self-employment (11 per cent compared with 7 per cent) in the Highlands and Islands and this is even higher in geographically remote areas of the mainland and on islands. Multi-employment, where individuals hold a number of jobs over the year, is also more common in geographically remote areas. This issue has a long history regionally where, since the 1850s, it has been common for Highlanders to overcome economic insecurity through seasonal employment (Devine, 2006: 424).

As with other rural areas, while unemployment is lower than the national average there are high levels of economic inactivity with about a quarter of the working age population not in work (Danson and Jentsch, 2009). Work tends to be more seasonal across the region in tourism and agriculture meaning lower employment over the winter.

The regional development agency, Highlands and Islands Enterprise, has been focussing on a number of emerging sectors, in particular renewable energy, nuclear decommissioning and marine and health science. This agency in partnership with the local authorities and other regional bodies also aims to improve the telecommunications and transport infrastructure, the housing stock and educational opportunities. Notably, as will be described and analysed below, the buy-out communities are embracing many of these opportunities, particularly in renewable energy complementing other resource-based sustainable activities.

The region has a relatively strong rate of enterprise development but the majority of new starts appear to be driven by necessity rather than opportunity entrepreneurship (GEM, 2002): given the lack of other options, individuals are ‘forced’ into attempting to set up a new enterprise rather than to secure low paid employment. Additionally, given the multi-employment practices it may be financially advantageous to become self-employed.

In contrast to similar geographies in Nordic and Mediterranean Europe, cooperative working has been focused on traditional agricultural practices at harvest time; and this has been related to the landlordism of the past two centuries. However, the dominant tenure and system of landholding in the community buy-out areas is ‘crofting’ (see below) and this has some specific characteristics which qualify these differences. This ‘makes a significant economic, social and environmental contribution to remote rural areas. There are 17,725 crofts in Scotland, mainly in the Highlands and Islands, and around 33,000 people live in crofting households’ (Scottish Government, 2010a). Basically, a croft is a small unit of land traditionally situated in the former crofting counties of this part of Scotland. A crofter is normally the tenant of a croft, and pays rent to the landlord of the croft for the land only; technically, therefore, any house, agricultural building, fence etc is provided by and owned by the crofter. The importance of grazing committees and similar collective organisations should be recognised as evidence of cooperative working but also of existing fora for social capital (Putnam, 2000) to be nurtured and developed.

Critically for this research, the Chair (Shucksmith) of the key study into the future of the remote and peripheral areas of Scotland, ‘Committee of Inquiry on Crofting: Final Report’, argued that:

many crofting communities have shown their ability and resolve to take charge of their own destinies, whether through community buy-outs or other initiatives. There is no lack of leadership or ideas. It is also clear that in rural communities, throughout the western world, the greatest progress occurs where communities themselves are empowered to work towards their own futures, with proper support, as indicated in the OECD’s review of Scotland’s rural policy. Crofting communities also have the potential to be more sustainable if they enjoy control, responsibility and ownership.

(Committee of Inquiry on Crofting, 2008)

This review of the current position and optimism for the future is strongly related to the land reform movement and to the buying out of estates by local communities.

Before providing the evidence to support that analysis, we provide the theoretical underpinnings to the research.

Literature review

As we note below, a key feature of the case studies is the commodification of land. This process can be associated with the introduction of property rights

where parcels of land are commodities which can be bought and sold. As economic historian Lynch has argued, as the beginning of the nineteenth century progressed ‘landed proprietors ... increasingly view their estates as commercial enterprises ... [and saw land] as a resource to be exploited for productivity and profit’ (Lynch, 1992: 368).

Despite this shift to commercialisation,¹ land ownership in Scotland has remained essentially feudal, with individual landlords having significant powers over their land and their tenants (Wightman, 1996, 2009). Historically such powers have been used with great force, perhaps most dramatically during the Clearances (when much of the population of this vast region was literally cleared from the land to make way for sheep farming) (Lynch, 1992; Devine, 2006) but even during our case study research we found reports of local residents having to consult the laird before they made any alterations to their homes and being threatened with summary evictions.

Land ownership in Scotland has continued to be highly concentrated (Cramb, 1996; Wightman, 2009): recently 4,000 members of the Scottish Landowners Federation owned 7 million acres of Scottish land, representing some 80 per cent of the country (Cramb, 1996), and just 85 privately owned estates control one-third of the land of the Highlands and Islands (HIE, 2002). Such concentration has been and continues to be contested. Land and its ownership are important to economic development in a number of ways (Alesina and Rodrik, 1994): first, ownership influences what can physically be done on and with the land; second, it impacts upon the size of the local population, through constraining the number of houses and the location and quality of roads and other transport infrastructure; and third, in a subtle but powerful way, it helps to mould, over generations, the social and cultural shape of the local community (Heidar, 2001).

Together these tangible and intangible aspects of ownership can be seen, as discussed earlier, as acting as a constraint on employment and income generating possibilities. Such long-standing concerns fuelled the political discussion around land ownership throughout the twentieth century; but from the mid-1990s, with the anticipation of the re-opening of the Scottish Parliament in July 1999, there would be an effective forum where issues around land could be discussed and debated. This legislative process led to the Land Reform Act being passed in 2003 (Scottish Executive, 2003). Part 2 of this Act allows communities to register an interest in the land and, as long as they meet certain criteria, they can purchase the land when it comes up for sale, while Part 3 allows crofting communities to purchase particular parcels of land at any time.

In passing this Act the Scottish Parliament increased the rights of local communities to buy local land. As we have noted elsewhere (Callaghan *et al.*, 2011), this has been the catalyst for economic development in these remote communities. Accompanying and assisting in the process of economic development within buy-out communities has been the development of social capital (Putnam, 2000).

The relationship between owning land and economic activity is not a new finding for it has been argued over many years that property rights have been a key institution, if somewhat neglected within mainstream economics, for the

promotion of economic development (Alchian, 1977). As we show below the change in property relations ensured new rights for the members of the communities of our case studies. As Schlager and Ostrom (1992) have argued, rights and any associated rules are important elements of community land ownership and that 'Clarity in analysis is enhanced by recognizing that "rights" are the products of "rules" and thus not equivalent to rules' (Schlager and Ostrom, 1992: 250).

In terms of resolving the 'tragedy of the commons' (Hardin, 1968) established rules would result in the establishment of rights which could both extend and limit access to a scarce resource; in the example of the commons this would be land. Opponents of 'collective ownership' have long argued that, without adequate property rights, resources such as land would be over-used and become depleted. The argument here is that because no single individual owns the land there is less incentive to treat land with respect and view it as a long-term asset which would benefit future generations. Consequently, each individual owner maximises short-term gain by exploiting the asset. So for example, a strip of common land shared amongst a number of farmers would be quickly degraded as each sought to maximise their return. However, if ownership was split so individual farmers each have their own parcel of land this is less likely to happen because individual ownership acts as an incentive to provide stewardship of the land.

In our specific case studies of the Scottish Community Right to Buy (CRtB) areas the change in legislation led to the establishment of new rules for ownership of assets within the CRtB communities, beyond crofting land itself. This resulted in new rights being introduced by the development of new governance structures for the CRtB communities. Whilst the governance of each buy-out area varies in detail, typically members of the community have to join a 'trust' or belong to a crofting association to have a say in the management of the bought out land and assets. On the one hand, the new rules which govern the ownership of the land² are relatively straightforward whilst, on the other, the rights which complement the rules are a little more complicated. For whilst the rules grant the new landowners the authority to determine new rights of access to resources within the community, for every right held by the member of the community rules exist which limit the exercising of these rights. In the community buy-outs some resources are held in common and hence rights are divided into what has been defined as access and withdrawal (Schlager and Ostrom, 1992) whereby access rights determine the right of entry and withdrawal and determine the right to obtain resources, defined as 'The right to obtain the "products" of a resource' (Schlager and Ostrom, 1992: 250). In the context of the CRtB areas access rights (as defined in Note 2) can cover issues such as who has the right to buy or build property, and who can actually live in a buy-out community. Withdrawal rights can cover such matters as what businesses can set up and operate within the community.

Certain resources are collectively owned and governed through, for example, a trust. These 'common-pool' resources (Schlager and Ostrom, 1992) are governed by collective choice property rights, which include management, exclusion and alienation. Within the community buy-out areas, management rights will cover such issues as how the land should or should not be developed: examples would

include whether a renewable energy project should go ahead or not. Right of settlement may be restricted to people who already have a connection with the buy-out community, hence this becomes a rule of exclusion determined by 'collective choice' exercised through the governing body, e.g. the trust. Such constraints on the ability to transfer, either by selling or leasing management or exclusion rights and thereby preventing individuals from utilising these rights, results in alienation (Schlager and Ostrom, 1992). The governance structures which have emerged in the CRTB areas are only one solution to overcoming the issues raised by collective property rights, namely 'how a group of principals who are in an interdependent situation can organise and govern themselves to obtain continuing joint benefits when all face temptations to free-ride, shirk, or otherwise act opportunistically.' (Ostrom, 2008: 29).

The community buy-out areas

The research team carried out fieldwork in five community buy-out areas. These were the Assynt Crofters Trust and Assynt Foundation in Sutherland, the Isle of Gigha Heritage Trust, the Knoydart Foundation and the North Harris Trust. Discussions also took place with policymakers at Highland and Islands Enterprise and relevant individuals at the Scottish Government

From a methodological perspective, therefore, the research employs a triangulated approach combining desk research, fieldwork and interviews with policymakers. The team were guided to case study community buy-outs by officers from Highland and Islands Enterprise who acted as gatekeepers (Rose, 1991; Yates, 2005: 160), providing the research team with a trusted name which helped gain access to community activists.

Initial desk research involved gathering background information from community websites and other forms of print literature. The case studies were chosen as they represented the largest (in terms of funding) buy-outs which had taken place and because important community leaders were available at the time fieldwork was taking place. Other buy-out communities were approached but declined to take part, saying they were 'too busy' and/or because they felt there was 'nothing in it for them'. In addition to interviewing community activists the research team also conducted interviews with other key actors in the development and support agencies. Such a qualitative methodological approach was adopted to capture the richness and complexity (Yates, 2005) of the underlying process of community buy-outs. The interviews were recorded where possible but, where this was too intrusive given local sensitivities, note-taking was used. In addition a detailed research diary was kept which recorded additional thoughts and comments, for example on the context of the interview and comments made after the tape recorder was switched off (Hammersley and Atkinson, 1983).

One common feature of the case studies is the commodification of land in Scotland. The historical context of land ownership is one where land is treated like any other product, is split into parcels and sold at a price and time which suit the seller. By implication the livelihoods, interests and opinions of those

who actually live on the land have been of secondary importance. While to some extent, this is an oversimplification, for example individual landlords have formally had to respect the rights of crofters and informally have been influenced by local opinion, the core historical relationship is simple: land ownership gives power and privilege.

Recent land reform legislation has strengthened the position of some local communities but the ones we visited had bought, often at a price running into millions of pounds, land over which they had previously had little formal influence. We will first briefly introduce the case study communities before going on to look at common emerging themes.

Assynt, in the far north-west of Scotland, has been home to two community buy-outs – the Assynt Crofters Trust and the Assynt Foundation – and their recent history is particularly well documented (Cramb, 1996; Mackenzie, 1999, also see the CBO websites). After being owned for a substantial part of the twentieth century by the Vestey family, the Assynt Crofters Trust bought the 21,000 acre North Lochinver Estate on 1 February 1993 for £300,000.

South of the Assynt Crofters Trust, on land also owned by the Vestey family, the Assynt Foundation was given the right to buy the 41,000 acre Glencanisp and Drumrunie Estates, including a lodge, in December 2004. Using the community right to buy elements of the land reform legislation mentioned in the introductory section the Foundation bought the land for £2.9 million.

On 21 March 2003 the North Harris Trust also used the Crofting Community Right to Buy element of the Land Reform Act to take ownership of the 55,000 acres North Harris estate on the Isle of Harris in the Outer Hebrides for £2.1 million.

The Isle of Gigha was put up for sale by the Holt family in August 2001 and in early 2002 the Isle of Gigha Heritage Trust took ownership of the island. The purchase price was £5.19 million.

The fifth case study community buy-out, which like the crofters trust is pre Land Reform purchase, is the 17,200 acre Knoydart Estate, which is set within the 55,000 acre Knoydart Peninsula. In early 1999 the Knoydart Foundation purchased the Estate for £750,000.

Emerging themes

Population and housing

While at the level of the Highlands and Islands as a whole there is some evidence of population increasing, for those living in remote and rural areas population decline is a significant issue (Scottish Government, 2008). For example, in the Western Isles a report from the local council stated that ‘the long-term trend is one of a declining and aging population’ (Comhairle nan Eillean Siar, 2009). To take this example a little further, the population within one of our case studies from the Western Isles, the North Harris Trust, was down from 750 in the 2001 census to around 650 seven years later (Fieldwork interview, 2008).

Such is the importance of population in remote areas that the retention and growth of the number of people living in their communities was one of the most common reasons provided for buying the land.

Closely linked to population is the availability and condition of housing. One common legacy of private landlords has been a general decline in the standard of homes and many communities identified this as one of their first priorities. Examples of how our case study communities have taken action to improve the situation include the North Harris Trust who sold a small amount of land to a housing association to build rented accommodation and others for private sale. The profits from this will provide a land fund which will be used to upgrade existing properties.

Another example is on Gigha. At the time of the buy-out, of the forty-two houses on the island only two were found to be fit for human habitation. The Trust is working in partnership with a local housing association where they sell some land in order to build affordable new houses. Once a house has been renovated a lease for 25 years is given to the householder, therefore an incentive to keep on improving properties because of the security of tenure. Such initiatives have led to population growth from 98 before the buy-out to 151 by 2007. It has also attracted families back to the island, with 23 children on the primary school role as opposed to 6 at the time of the buy-out. As one resident commented: 'It's like our own island now – people living in dry affordable homes.'

The two related issues of who gains entry to communities and who has the right to own and build property links back to our earlier theoretical discussion of access rights. This is because the existing community can exert influence over incomers. For example, on Gigha access to homes is linked to those with connections to the island and those with particular skills.

So, although building homes and attracting new residents has clear benefits, there is also the possibility for conflict. As one of our respondents from the Knoydart Foundation commented: 'where to build and how to allocate' housing was a source of constant conflict. Decisions were eventually made, but the process was time consuming.

Governance

The legal structure model chosen by CRtB is the company limited by guarantee model. The governance which flows from this is of a board of directors overseeing the interests of the company. The exact governance structure of our different case studies did vary; but in each case democratic accountability is present.

The Assynt Crofters Trust has the most constrained membership as it is limited to crofters. Administration is through a board of directors who serve for three years and are elected by each of the thirteen crofting townships. There are also two co-opted directors and in 2004 there were 150 members (MCM Associates, 2004). The Assynt Foundation is also a registered charity. It is managed by a board of directors who are elected by the Foundation's 250 members. The 1,000

people living within the Assynt community are eligible to join the Foundation for a life membership fee of £1 and, once members, can stand as directors and vote in Foundation elections.

The Isle of Gigha Trust also has charitable status. Membership is open to all residents aged over 18, each having one vote in the election of the eight directors. The Trust has 96 community members, some 80 per cent of the island's adult population (Scottish Government, 2010a), and there are all-member meetings once every two months with votes on all major decisions. In the North Harris Trust all estate residents over the age of 18 are eligible for membership of the Trust, residency being defined as living on the estate for at least nine months of the year (with an allowance for those in full-time education and in the armed forces and merchant navy). Owners of holiday homes, however, are excluded. Crofters are still estate tenants, except they now own the estate.

The last of our case studies, the Knoydart Foundation, is again both a company limited by guarantee and a charity. Governance is by a board of directors composed of five community directors elected by the community membership and up to four directors nominated from supporting bodies.

Governing and managing the buy-outs did present individuals with the opportunity to increase their skills. For instance, within the Knoydart Foundation one respondent reported a leading member had 'grown as an individual, learning chairing skills, bringing people together'. Such social competencies and the networking skills associated with them are good examples of how communities can enhance their social capital (Putnam, 2000).

The new governance structures which have emerged in the CRtB areas have seen a flourishing of debate and discussion some of which can be heated. As one respondent commented:

Of course it's true we did fight. But then tell me a family that doesn't squabble on a Saturday morning. That's normal isn't it? The occasional temper gets lost, but you have to learn to be democratic. It's a whole new experience. Working at that level co-operatively is very new in most communities. We don't have a participating democracy in this country. So the minute you have a participating democracy it's fraught with difficulties, because people are not used to it, they don't trust you.

In addition to such localised tensions there were disputes between members of some of the trusts and external agencies who are represented on the governing bodies. One example of such tensions is the response from the John Muir Trust to a proposal from the Assynt Foundation that they build eco-lodges on their land:

But John Muir Trust, who are major donors to us, don't want to see any build-ings, because this is wilderness according to them. It's wild land that should look as though it's never been touched by human kind. Despite the fact that there used to be 500 people living on it ... My feeling is, it isn't wilderness, it's a managed estate, it's always had people on it.

So, as noted in the review of the literature on rights and rules in land ownership cases, to make decisions on ‘common-pool’ resources (Schlager and Ostrom, 1992) governance arrangements have been introduced in all buy-out communities to exercise collective choice property rights. Management rights have been addressed through the establishment of the ‘company limited by guarantee’ model, with directors elected by the whole community or by a significant majority. Whether the whole population or a majority are the ‘community’ for these purposes is determined by the ‘Rights of Settlement’, with the more exclusive approach tending to be associated with the form of a crofters’ trust. So, the rights within CRtB communities are determined by the people who join the organisation which has the legitimacy to govern the CRtB; in the case of Gigha this is the members of the Community Trust, within a crofting community it is those who have crofting rights, so the term ‘community’ is a little ambiguous and is of course one of the main criticisms of CRtB legislation: it can be used to exclude as well as include.

Renewable energy

From an economic development perspective, perhaps the most striking common theme relates to renewable energy. In nearly all case studies renewable energy produced a flow not just of power, but also of profit.

Here CRtBs make a small but symbolic contribution to the Scottish Government’s renewable energy strategy (Scottish Government, 2010b). In fact economic development agencies such as HIE and other government supported bodies like Community Energy Scotland and the Community and Renewable Energy Scheme (CARES) provide much-needed advice, guidance and funding to CRtB bodies (CES, 2010).

The most commercially successful is the Isle of Gigha Trust where three wind turbines have been constructed. This £550,000 capital project involved grant, loan and equity finance and in 2008 the wind farm was generating around £75,000 a year. This surplus revenue is used to fund development projects and to rebuild the housing stock.

The North Harris Trust has a biomass trial on croft land, where willow, poplar, alder and sycamore have been planted for woodburners. The Trust are also seeking planning permission for a 150kW hydro scheme at Bunavondeer and are taking forward two micro hydro schemes (North Harris Trading Company, 2010). Other renewables-related developments in the Western Isles include plans to connect community owned energy companies to the National Grid (BBC, 2010).

Also, in Assynt the Crofters Trust developed a 300kW river hydro scheme. While this required complex negotiations with numerous governmental and non-governmental bodies, the scheme has been running for some time. The aim is to use the surplus from selling energy to the national grid initially to pay off the capital, then, after fifteen years, the Assynt Crofters Trust will take full control of surplus revenue. One local commented that:

At the moment they [the local community] get nothing from it, it's very much an investment for the future. It's the next generation that's going to benefit from this, not the current generation. And that's the way you have to think, and owning your land makes you think like that, that's the difference. If you can't guarantee the future of the land, then there's been less incentive to make these sorts of investments. That for me is one of the biggest and most important things about buying land, it allows you to think much further ahead and think about the next generation.

This point about land ownership being associated with a shift in temporal thinking and planning is clearly important. Again, though, the change associated with such initiatives can lead to conflict. The Assynt Foundation had plans for a renewable energy scheme based on a small number of wind turbines but this was met with formidable local resistance: 'We have people, a small group of people who said it would be preferable to bankrupt the foundation and force its sale, than have the wind farm go ahead.'

Such renewable energy projects are a good example of the 'common-pool' resources mentioned earlier; these communities can use collectively owned resources, in this case those required in the generation of renewable energy, to deliver a flow of revenue which will benefit the whole community.

Forestry

Forestry makes a significant contribution to the Scottish economy (Forestry Commission Scotland, 2008) and is particularly important to remote and rural areas. However, forestry has impacts beyond the simply economic, including recreational use and a relationship with sustainability in its broadest sense.

To date, within the case study CRtB areas, the direct economic impact has been relatively limited. These communities have inherited woodland from previous landlords and any investments they make in planting saplings will take a long time to come to fruition. Despite this, there is some, modest, forest-related employment in most of these communities. A Trust member from Assynt commented that:

when we did deals with forestry companies as much money as possible stayed in the community. So the first call on labour for fencing, for planting, for seed collecting, went to local people and not outside contractors. And as a result we've now got a very small, professional team of tree planters and fencers.

In other CRtB areas broader sustainability was seen as important; in Knoydart, for instance, one of the Foundation's main aims is to use woodland to improve biodiversity.

Forestry and woodland planting might also be seen as making a commitment to the sustainability of the community through investing in an asset which will benefit future generations. The Assynt Crofters Trust has planted about 800 hectares

of native woodland: 'Owning the land, having the security of knowing it'll still be there in 20, 30, 40, 50, 100 years' time allows you to make these longer term commitments.'

Such generational thinking was also found in North Harris where Hunter (2007) reported that every township had started a woodland project, averaging 100 hectares. This attracted £ 90–100,000 of funding and generated £6,000 per annum per township, and has led to six or seven employees working three days a week specifically on this activity.

Again there is a link with the idea of 'common-pool' resources. The property rights associated with landownership allow these communities to make long-term investment decisions. Prior to the buy-outs, people living within these communities would have no (or limited) opportunity to decide how best to use the land. Collective ownership provides a vehicle for making important management decisions, such as planting forestry and woodland.

Tourism

Another common economic theme running through the community buy-outs is the importance of tourism. Although such remote and rural communities have gained employment and earned income from this source for a long time, CRTB status has made a significant difference in two (inter-related) areas. The first is the potential for start-up financial assistance to come from within the community. Most commonly this has been through communities using surplus revenue generated from other assets (e.g. renewable energy) to cross subsidise tourism-related activities. The second, perhaps more subtle, impact of community ownership has been the stimulation of entrepreneurial activity. Examples of such tourism-related economic activities include a number of new businesses on the Isle of Gigha and increased tourism revenue in Knoydart's Foundation assisted cafe. The Assynt Foundation had reported in interviews that 'More than 50 per cent, I would say 60 per cent [of work] is tourism related' and they are hoping to build on this through the renovation of Glencanisp Lodge. This work was completed in the summer of 2010 and aims to generate revenue through using the building for self-catering tourism, training courses and corporate hospitality (Herald, 2008).

While tourism only provides seasonal and relatively low-paying employment one respondent, from the Assynt Crofters Trust, used a comparison of tourism and commercial fishing to demonstrate how more tourist-related income is retained within the local economy:

[Tourism] is probably the biggest source of income into the community, the biggest single economic factor. It's bigger than fishing, in the sense that there's more money flows through Assynt through the fishing in gross terms, but most of it goes out, of course, because boats are all foreign and the harbour dues, some of it goes to Scotland, some of it goes to Spain, some of it goes to France. A little bit is left here, but I would say the total income, the total of money left to the community, is far higher from tourism.

By cross-subsidising start-up entrepreneurial activity using income generated from 'common-pool' resources, tourism can also be seen as an example of the benefits of collective ownership. So despite income from tourism being limited and seasonal, it does represent an important source of local earnings and employment and has higher value added than some other local sectors.

Discussion and conclusions

In this chapter we set out to explore whether changes in land ownership in particular community buy-out areas had created a space within which local people can nurture and develop the capabilities which will help their communities to sustain and grow. Informed by the approach of Schlager and Ostrom (1992) to the question of rights and rules in such contexts, we have concluded that there is evidence of significant developments within these communities that augur well for their specific and collective futures.

While the very diversity of the geography, demographics, history and resources of each case means that the specific type and nature of social and economic development depends on the particularities of each community buy-out, there are nevertheless common themes emerging across the region. In terms of the forms of development all place a reliance and commitment on sustainable economic strategies and policies, demonstrated by the renewable energy, forestry and other environmental schemes embedded into each CRtB strategic plan. Balanced growth is being pursued locally for each case study area, with housing and population expansion important elements in gaining long-term thresholds of sustainability for these communities.

Governance structures and practices have been based on models of inclusion and accountability, which contrasts with what happened under feudalism and landlordism. However, in some other buy-out areas not covered here (see Herald, 2007; Nicolson, 2010) there have been less positive stories in terms of both governance and community activity, confirming that issues of rights and rules are important in determining paths to successful development. In the description of some areas of conflicts and debates in our case studies, it is clear that communities on the edge, as much as if not more than elsewhere, will face disagreements over priorities, resources and directions of travel; their structures and means to resolve these are important in generating the environment for successful conclusions. Finally, in such sparsely populated peripheral and marginal communities, distances from support services and dependence on limited expertise locally creates strains and pressures on both individuals and the community. Building social capital and creating the fora to exercise debate and support all players are essential for sustainable development.

In summary, against a background of over two centuries of feudal and absentee landlordism and restricted rights, these initial steps to cooperative ownership have demonstrated significant progress in creating sustainable communities. All our case studies are growing, have a much improved relationship with their local environments and are providing success stories for other areas across rural and

urban Scotland. Following their development and analysing the relevance and transferability of the community buy-out model for wider application are important agenda items for the future.

Acknowledgements

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Notes

- 1 However, many sporting estates are primarily managed and owned for the consumption of leisure rather than for enterprise and economic activity, and this market failure generates socially sub-optimal levels of work and incomes (Hecla, 2008).
- 2 It should be made clear that this and subsequent references to 'land' in this specific buy-out context covers non-crofting land only. Similarly, 'access' does not mean physical access to the land for recreation, walking etc as this is guaranteed within the land reform legislation (Scottish Executive, 2003).

Useful websites

Assynt Crofters Trust

<http://www.assyntcrofters.co.uk>

Assynt Foundation

<http://www.assyntfoundation.org>

Isle of Gigha Trust

<http://www.gigha.org.uk>

Knoydart Foundation

<http://www.knoydart-foundation.com>

North Harris Trust

<http://www.north-harris.org>

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14 A domicile principle in farm policy

On farm settlement policy and experience in Norway

Erik Mønness and Tor Arnesen

Abating ‘ghostification’

The associative horizon prompted by concepts such as ‘peripheral’ and ‘marginal’ is tinted by an incessant apprehension of a lesser permanence in human presence. Just like a ‘ghost town’ has been completely abandoned by human inhabitants as the supporting economic activity has failed (Sibell Wolle, 1991), we tend to think of the periphery in its relation to the core as hard hit by ‘ghostification’. This is not least due to an unstoppable reduction in the workforce in agriculture and in general to a persistent urbanisation, draining the periphery of people and functions.

In agriculture restructuring means merging and operating larger units with fewer hands. Operational restructuring, i.e. the running of larger units, is not dependant on a tenure restructuring, i.e. who owns the land. An account of the restructuring process in Norway through the latter decades (Almås, 2002) could be briefly summed up as an operational restructuring without an entailing tenure restructuring. While this may be viewed as a peculiar feature in the economic structure as such, it also represents an explicit choice in national agricultural policy. The systemic separation of running and owning agricultural land is a prerequisite and offers an opportunity for a rather uncommon policy instrument: a domicile principle when acquiring an agricultural property. Large corporate owned farms would – so the argument goes – be subversive to a long-standing goal in Norway to promote a freeholder peasantry and subversive to efforts to promote rural settlement. By curtailing the possibility of merging farms on an ownership level, but being more liberal in promoting operational merging, the idea is to preserve a structure of family owned and inhabited farms. This is where a domicile principle enters the equation: in order to be granted a concession to acquire a farm, the owner must agree to settle on the farm for a period of five initial years of ownership. By promoting a freeholder peasantry and enforcing an initial domicile obligation, ‘ghostification’ of the periphery is to be combated – does it?

A domicile principle

According to the current ‘Concession Act’ and ‘Allodial Rights Act’ agricultural holdings beyond 50 hectares (ha), or more than 2.5 ha arable land, are conditional

on taking up fixed residence on the property for a period of a minimum of five years following acquisition. 'Taking up fixed residence' means that the owner has to settle on the property *in persona* – redeemed if the owner is registered with a permanent address on the farm. A dispensation may be applied for within one year of the acquisition, and is normally granted for a limited period of maximum five years. Extraordinarily, a permanent exemption can be granted. This regime is enforced strictly. The domicile principle, though contested, received a majority vote in Parliament in 2009 to implement a policy tightening the administration of the principle. So there is nothing outdated about this regime, however it seems counter to liberalistic ideas.

Such a domicile principle is rather unique in a European perspective. Denmark and Austria do have similar, but not identical arrangements (Oppenheimer, 2003). For its rarity alone, a discussion of the domicile principle is of interest. At first sight it may seem at odds with the principle of freedom of movement laid down in, *inter alia*, European Union (EU) law, and in general at odds with liberalistic non-interventionist politics. The domicile principle has thus spurred controversies – domestically as well as in relation to the EU, in Norway as in Denmark – relating to the rationale and validity of the principle itself, and to whether intended effects actually are achieved (Oppenheimer, 2003).

Norway is not a member of the EU, but is affiliated by the European Economic Zone (EEZ) agreement with the EU. Agriculture as such is kept outside EEZ agreements, but basic legislative principles and freedoms apply, including the freedom of movement. Norwegian legislation is therefore connected with EU law through the EEZ.

The Danish version of a domicile regime was subject to a ruling in the EU court in January 2007: *Festersen vs. Danish state*. *Festersen* made a case against the imperative to reside *in persona* and the requirement to farm the property himself, holding that it ran against freedom of establishment and free movement of capital.¹ A residence measure may, according to the ruling, be permitted provided it pursues a non-discriminatory public interest objective and abides by a principle of proportionality in measures. The Danish Government – like the Norwegian – aims to preserve freehold farmers, agricultural land and rural settlement *inter alia* by means of a domicile principle. The ruling (Court of Justice, 2007) finds such social considerations in principle capable of justifying restrictions to a free movement of capital. Regarding proportionality of measures and given that the owner residence requirement indeed curtails fundamental rights guaranteed 'it does not appear that that requirement is, in actual fact, appropriate, in itself, for the purpose of attaining such an objective.' The question thus arises whether other measures less restrictive could have been adopted. The EU court ruled that the principle of the free capital movement 'precludes national legislation such as ... laying down as a condition for acquiring an agricultural property the requirement that the acquirer take up fixed residence on that property' (Court of Justice, 2007). The ruling is primarily being read as consistent with a domicile requirement by the Danish and Norwegian governments, but at odds with an owner residence requirement for small farms unable to support a reasonable livelihood. In response to

the ruling, the Norwegian Parliament in *primo* 2009 implemented an amendment to domicile regulations by raising the threshold beyond which owner residence requirements apply to 2.5 hectares farm land and beyond.

Intended effects

The rationale of the domicile regime in Norway is commented on in the preparatory works to The Concession Act, as recently as 2009:

According to the preparatory works to The Concession Act, its purpose is to regulate and control trade of property to achieve an effective protection of agricultural production land and such owner and user conditions that are the most beneficial to society ... The act is a tool to support socio-political goals ... The Act specifically mentions future generation requirements, agriculture, environmental concerns, general nature protection and outdoor interests, and considerations regarding settlement.

(LMD, 2009)

Specifically relating to the acquisition of agricultural properties, §9 in The Concession Act states:

§ 9 (specific conditions for agricultural properties)

On deciding an application on concession for acquiring real estate to be used for agricultural purposes, specific weight is to be put on:

- 1 if the agreed price favours a social justifiable price development,
- 2 if the purpose of the acquirer is to attend to the consideration to settlement in the area,
- 3 if the acquisition involves solid running conditions for a farm,
- 4 if the acquirer is considered qualified for running the property,
- 5 if the acquisition safeguards the consideration to achieve an overall management of resources and the cultural landscape.

(The Concession Act; authors' translation)

Thus a number of considerations are attached to the domicile regime. The legislator's intent seems to be to provide the Act with a high degree of flexibility to prepare a management tool that empowers agricultural authorities across the many local contexts where farm acquisition concession applications have to be dealt with.

The domicile principle is one of several instruments to promote rural settlement. Urbanisation is an unbroken trend in Norway draining rural societies of people and functions (Byfuglien, 1995; Rees, 1998). Developments in agriculture are part of this picture. As a synoptic look at the structure of the agriculture in Norway shows, the industry has undergone a rapid development in recent decades, with considerably fewer hands and holdings in the industry (SSB, 2009b):

- In 2007 Norway had 159,699 agricultural properties with a domestic building. Of these, 14,566 were located in Hedmark. Approx one-fifth were uninhabited – nationwide and in Hedmark.
- A total of 440,483 persons lived on farms in 2007; 9.4 per cent of the population in Norway. In Hedmark 38,188 persons lived on farms in 2007; 20.1 per cent of the total population in the county and 8.7 per cent of persons living on farms in Norway.
- The number of holdings that use the soil themselves (in contrast to lending or letting the soil) has fallen by 56 per cent to the present level of just below 48,051 (2007) holdings (holding: a single unit technically and economically, with single management and with agricultural production) over the last 25 years. About 110,000 or so properties are either without arable land (some 10,885 properties) or are letting, lending or neglecting the arable land belonging to the farm.
- There has been no reduction in the total agricultural area in use. A mere 3.5 per cent of the landmass is arable – the smallest per country proportion in Europe.
- Man-years carried out in agriculture over the last 25 years have fallen by 50 per cent to the present level of approx 60,000 man-years per year, and presently account for 2.3 per cent of total employment.

The domicile principle was universally imposed on farm acquisitions in 1974, and there is no evidence that this in itself has decelerated the trend described above. So, does it work? We approached the question from the perspective of owner residence behaviour and history under the domicile regime.

Owner residence behaviour and history

Study setup

The study is based on a survey performed in 2007 in Hedmark County in Norway: one of fifteen counties and a pronounced agricultural region.² The aim was to collect data on owner residence behaviour and history. The study was limited to data collection from this one region. No comparative nor reference studies were aimed at, and no controlled intra-national experiment with optional regimes on agricultural property is available as the regime is enforced nationally. The study setup thus attained a case characteristic, where the aim is to discuss how owners adapt to the regime in a given region.

Data

The Agricultural Office at the Hedmark County Governor (AOH) agricultural registry keeps records on location, size, owner (and owner history), takeover time, current use, if subsidised, etc. However, the actual time of residence, current use of the farmhouse, dispensation period etc. is not readily available, but resides as

individual cases at the municipal agricultural authorities. Also, information on investments and who actually uses the land is hard to get from official files. Thus a survey was advised. The survey consisted of 62 questions.

The population explored was defined to be owner/farm combinations of personally owned farms in Hedmark County with size at least 3 hectares farmland and classified as 'active'. The population amounts to 8,790 farms at the time of the survey. The total number of farms exceeds 15,000, so there are about 7,000 farms with size less than 3 hectares not included. About 3,000 farms were picked by a random number procedure to enter the survey. Owners of 742 farms did reply by mail or internet. These makes up 8 per cent of the population (Table 14.1). On the variables 'Age of owner', 'Municipality' and 'Living on the farm or not' (see Table 14.1) the sample is representative of the population. The proportion of small farms is smaller in the sample than in the population.

Current status: owners residing/not residing on the farm.

The following categories of owners' residing status are possible:

- 1 The owner does not reside on the farm due to having acquired ownership less than a year ago, or has been granted dispensation from domicile obligations.
- 2 The owner does not reside on the farm even if obliged to.
- 3 The owner does not reside on the farm since the residence obligations are fulfilled.
- 4 The owner resides on the farm according to domicile residency regulations.
- 5 The owner resides on the farm with no obligations; domicile requirements are fulfilled.

Table 14.1 Entire population of farm owners in Hedmark in 2006. Respondents, distributed by owners who reside or do not reside on the farm

<i>Population of farm owners on farms with three ha or more farmland</i>	<i>Count</i>	<i>%</i>
County population:		
Owner resides in the municipality, on or off the farm	7,359	83.7
Owner resides in another municipality in the county	500	5.7
Owner resides in another county	931	10.6
Total	8,790	100.0
Respondents in the survey:		
Owner resides on the farm	614	83.3
Owner does not reside on the farm	123	16.7
Total	737	100.0

Table 14.2 Number of respondents distributed by residency status according to domicile regulations

<i>Residency status option</i>	<i>Count</i>	<i>%</i>
Owner does not reside on the farm; ownership less than one year or by dispensation	58	9
Owner does not reside on the farm even if obliged to	13	2
Owner does not reside on the farm, residence requirements are fulfilled	34	5
Owner resides on the farm according to residence requirements	77	12
Owner resides on the farm with no obligations, residency requirements fulfilled	467	72
Total	649	100

Of the population of farm owners in Hedmark, 83.7 per cent reside³ in the municipality in which the farm is located (Table 14.1). It cannot be anticipated that this means they live on the farm, but in most cases, they do. There is a good correspondence between the population and the sample on this issue.

Table 14.2 shows that 12 per cent live on the farm in the period they are obliged to according to the domicile principle. (The total sums vary between tables due to missing responses.) Amongst those free to move, 93 per cent (467/(34 + 467)) of those actually live on the farm beyond the requirements of the domicile regulations.

Age at take-over varies between 10 years and 70 years with the mean at 35 years. The average age has grown by three to four years per decade. This development is consistent with the overall trend in Norway, with a shift towards a demographic structure with an older population in rural districts (Regjeringen, 2004).

The preceding tables give no information on how many years owners have lived on the farm as owner. This, of course, depends on the time span since acquiring the property. Also, those who have had a temporal dispensation for fulfilling domicile requirements will normally have a five year shorter occupation period, and must accordingly be considered separately. The residency time considered here is as owner.

Most owners have lived on the farm 'as long as possible' (Figure 14.1). Some owners have a period of residence which is shorter than the maximum possible. There is a substantial group which has no years of settlement on the farm at all. The domicile principle was introduced in 1974. There is a cluster of owners with no dwelling years slightly after 1970; it is a plausible assumption that these are people who adjusted to the introduction in 1974 of the domicile requirements, and thus made a pre-1974 hastened take-over to avoid the upcoming regulations.

A remarkably modest proportion of farmers leave the farm after fulfilling domicile requirements. There is no sign of what could be called 'tactical settlements'

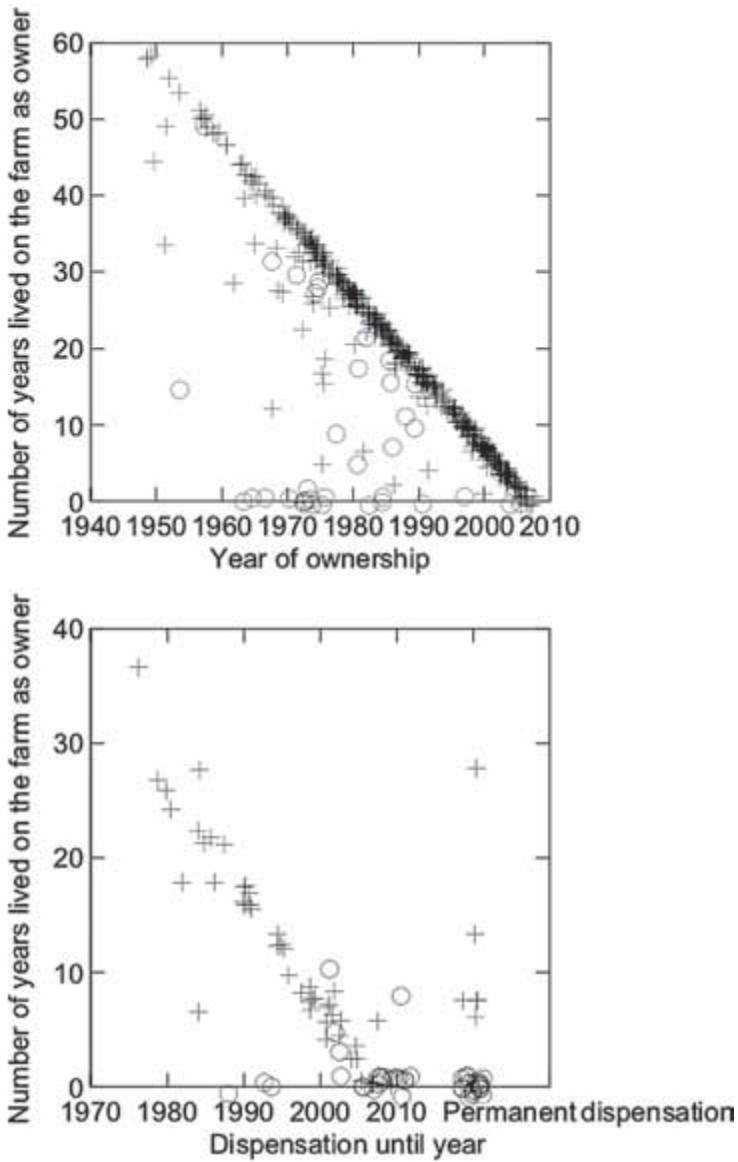


Figure 14.1 The number of years lived on the farm (vertical axis) against year of ownership acquisition (horizontal axis). Crosses indicate owners still living on the farm; circles indicate owners not living on the farm. The upper plot is those owners who have not applied for dispensation (and are assumed to have taken up residence at take-over). The bottom plot is those persons who have applied for dispensation. (Note: Logically no points can be in the upper triangular zone in the upper plot. If, say, a farmer has been an owner since 1996, he can at most have lived 10 years at the farm in 2006).

after 1974, which would be living the obliged five years and then moving away just to attain and retain property rights. The data here support a conclusion that, in an overwhelming majority of farm take-overs, the acquirer moves to the farm for a permanent settlement.

Most owners move to the farm when required and for a prolonged – practically lifetime – settlement (Figure 14.1). Naturally, people presently in a dispensation period do not live there. However, six owners with permanent dispensation actually live on their farms. Only nine people have left and again this includes someone with no settlement time at the farm. In this case too, there are no signs of a ‘tactical settlement’ with a minimum fulfilment of obligations.

‘Survival’ on the farm

The intention of the domicile regime is that the owner should stay and live on the farm. However, after fulfilling the domicile requirements the owner is free to leave but still be the owner. Thus there is a hazard of leaving and the intention of the regime will fail. The time span from takeover until eventually leaving is herein called the *survival time*. To address this issue analytically, a model called *survival analysis* and *Cox regression* (Klein and Moeschberger, 1997) is applied. People on dispensation are not included in this analysis

The idea is to explore the duration that the owners stay on the farm, while still being the owner. Then it is to explore if there are correlations between certain exploratory variables and this duration. If found, predictions on future dwelling duration can then be undertaken. The probability of remaining on the farm beyond a particular time, given values on exploratory variables, can be estimated. There is an observational issue with this kind of data: one cannot know, at the time of data collection, if or when an owner still living on the farm will leave or not. This is called *right censoring*. Survival analysis is designed to handle the case.

Consider the probability of remaining living on the farm beyond time t . Let x be some background information of the owner and of the farm. Let T be the time from moving to the farm until permanently leaving, also labelled ‘survival time’ adopting the nomenclature from where the model was originally developed. Then T is a positive random variable. Let $f(u|x)$ be the density of T . Define the survival function $S(t|x)$ by:

$$S(t|x) = P(T > t|x) = \int_t^{\infty} f(u|x) du$$

The hazard of permanently leaving at a certain time t is:

$$h(t|x) = \frac{f(t|x)}{S(t|x)}$$

Under the Cox proportional hazard model $h(t|x)$ has the form:

$$h(t|x) = h_0(t)\exp(x'\beta)$$

where x is the known vector of background information, β is a vector of unknown parameters. The $x'\beta$ part is comparable with ordinary linear regression. $h_0(t)$ is the baseline hazard function when $x = 0$. Thus both $h_0(t)$ and β have to be estimated. β is estimated parametrically while $h_0(t)$ is estimated non-parametrically. The Cox model is given by:

$$S(t|x) = (S_0(t))\exp(x'\beta)$$

At a certain time t , a dweller on a farm is subject to one of three situations:

- Situation 1 Have remained settled on the farm. Survival time T is then larger than t .
- Situation 2 Leaving the farm at time t . Survival time T is thus known to be t .
- Situation 3 The owner might not yet have owned the farm for t years; the survival time is unknown. Thus T is right⁴ censored; one cannot know what they might do in the future when they reach owning time t .

Since the observations are within a definite time lapse, every dweller who has not left at the end of the study has a censored survival time.

An estimate of the probability of leaving at time t (given the dweller has not left before) is the number of leavers (Situation 2) divided by those at risk of leaving (the sum of Situation 1 and 2). This is the basic idea for estimating the survival function. $S_0(t|x)$ will be a decreasing step function with steps at each instant someone leaves. SPSS (SPSS, 2006) is applied to estimation and plotting.

Cox regression can estimate the vector β and test if any component is significantly different from zero. Stepwise estimation is available. The contending exploratory variables considered are:

- Level of investment in the farmhouse.
- Area of farmland.
- Age of owner.
- Gender of owner.
- If owner or someone else runs the arable land (land let).
- Education combination: level and with/without agricultural topics.
- Portion of total household income coming from the farm.
- If owner or family partner have roots on the farm (childhood there).
- If owner has applied for delayed dwelling, permanent dispensation, or not.
- Calendar year of take-over: before-or-after 1974, and also time within twenty-year time-intervals.

All the variables are entered as ordinal variables. Some of these variables of course have a high internal correlation thus they will exclude each other in the multiple regression. A series of regressions, including the step-wise technique, have been executed. This concluded:

- ‘If owner has applied for a temporal or permanent dispensation, or not’ maintains a significant factor in all sub-models.
- ‘If owner or someone else runs the farm’ and ‘Portion of total household income from the farm’ are very significant factors but also highly correlated. However, and surprisingly, even the *nil income from the farm owner group* has at least 70 per cent probability of residing on the farm for at least thirty years. Their living depends on external sources. On levels above a quarter of household income from farming, there are no significant differences in ‘survival probability’. Thus having some income from the farm motivates staying there.
- Area of farmland is significant. This factor is overruled if ‘portion of total household income coming from the farm’ is included in the model. There is a correlation here too.
- Age, gender, education, investment level and calendar year of take-over do not appear as crucial factors for ‘surviving’ on the farm. (Of course, in the end age will be the ultimate factor for not surviving!)

Figure 14.2 shows an immediate drop at $t = 0$. These are owners with no residing time at the farm at all, thus having zero settlement time. This amounts to about 3 per cent of the cases. Then there is a steady decline of owners residing on the farm until 20 years of ownership.

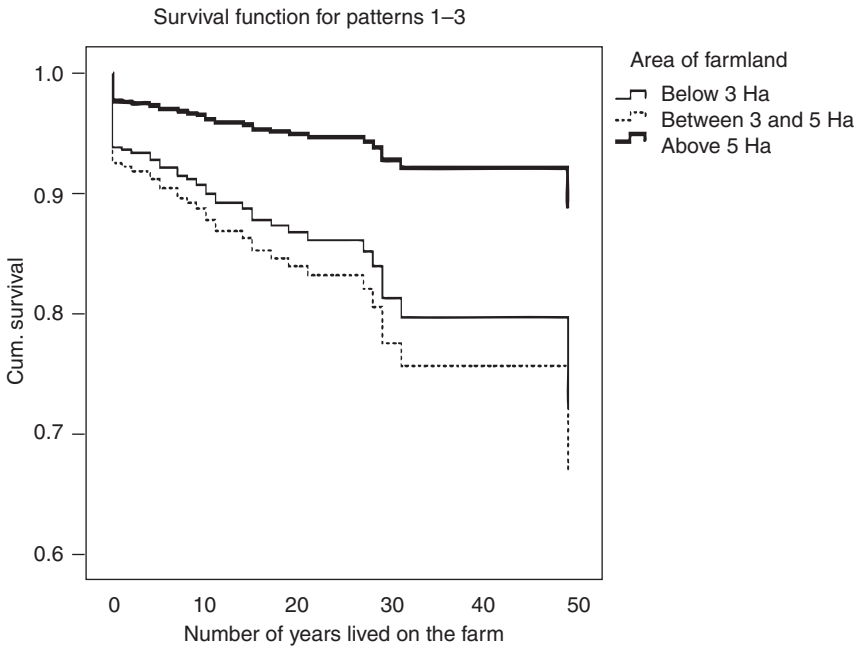


Figure 14.2 Survival functions for different farmland sizes

Interestingly and important for this discussion: there is no sudden drop at five years, at the time owners have fulfilled domicile obligations and have a freedom to leave legally – again no ‘tactical settlement’ is recorded.

There is a drop in settlement between 25 and 30 years. From the time of 30 years residing at the farm as owner, none of the potential leavers does leave. The probability of remaining beyond 30 years is very high indeed and only slightly below 90 per cent. It is important to understand that this does not mean that 90 per cent of our cases actually live on the farm; it is the calculated expected proportion if one could observe everyone until they eventually retire or die.

As might be expected, larger farms have higher survival probabilities (Figure 14.2). The order of the groups below 5 hectares might be expected to be the opposite, however this difference is not significant.

The two available applications for a dispensation from the domicile requirements – temporal and permanent – have been merged in this analysis (the ‘permanent’ group was too small to constitute a separate group in the analysis). Interestingly enough, this ‘application group’ has a higher tendency to leave, even not moving to the farm at all. Thus, from a statistical point of view, an application to delay settlement may be seen as an indicator for a lower ‘survival’ on the farm than average.

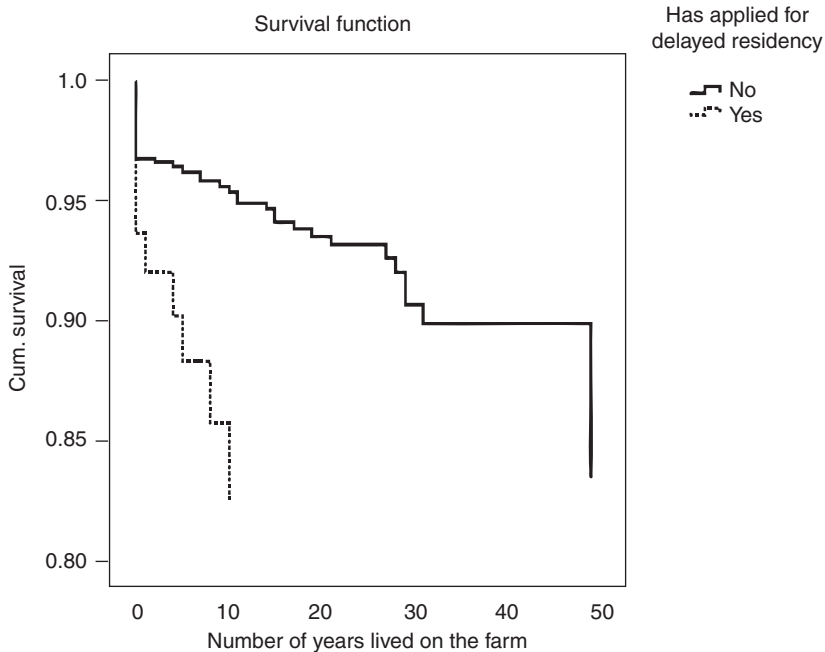


Figure 14.3 Survival functions for ‘has applied for delayed residency including permanent dispensation’ versus ‘no application’. The functions do not obey the proportional hazard assumption

The model shown in [Figure 14.2](#) is based on the assumption of proportional hazards, meaning the groups have a common $S_0(t)$. It is possible to estimate different $S_0(t)$ s for different groups (strata) and visually inspect the assumption. The assumption was deemed reasonable in most cases, but a plot where ‘application’ defines the strata is presented below.

[Figure 14.3](#) will be different since the ‘yes’ group (i.e. has applied for a dispensation) is no longer estimated beyond the last leaver in the group. It is seen that the ‘yes’ group leaves earlier than the ‘no’ group (has not applied for dispensation). The probability of remaining on the farm beyond 30 years is 90 per cent for the ‘no’ group while the probability of remaining on the farm beyond 10 years is 83 per cent for the ‘yes’ group. However, nobody from the ‘yes’ group leaves after 10 years in the available observations up to 40 years. Thus the survival function could be horizontally extended from a terminating point at 10 years until 40 years. Since there are only nine leavers in the ‘yes’ group in our data, the steep decline of the survival function could be due to change. However, the difference between the ‘yes’ and ‘no’ group is statistically significant.

Dwelling and farming

A rationale behind the domicile requirement regime is to avoid transition from permanent occupation to holiday use, or no use at all. [Table 14.3](#) provides information on the use of the farmhouse in this respect.⁵ Sixty-seven per cent of the farm houses not inhabited by owners are either out of use or being used as second homes – both undesired situations from an agricultural and rural policy perspective.

Table 14.3 Inhabitation of domestic farm house(s) distributed on owner residency (Hedmark County 2006)

		<i>Does the owner reside on the farm?</i>		
		Yes	No	Total
Domestic farm house:				
		Yes	No	Total
Not inhabited	Count	3	22	25
	%	0	19	3
Occupied by the owner	Count	591	23	614
	%	98	20	85
In use as holiday home	Count	3	39	42
	%	0	34	6
Occupied by tenant	Count	9	30	39
	%	1	26	5
Total	Count	606	114	720
	%	100	100	100

The larger the farm, the higher is the percentage of owners residing on the farm – however, smaller farms also are occupied by owners to a high degree (64 per cent).

Only 2 per cent of the farms in our sample are not in use as farms. Sixty per cent of owners residing on their farm actually run the farm (agriculture, forestry, etc.), thus 40 per cent of them are letting the farm (perhaps at no cost) to someone else. Seventy per cent of the owners not residing on the farm are letting their farmland.

Among owners residing on their farm, 98.7 per cent of the farms are being run as farms, while 95.1 per cent of the farms owned by owners not residing on the farm are being run as farms. This difference is statistically significant. This discovery might be questioned as farmland area is not considered.

Table 14.4 shows the use of the total farm area, distributed by the dwelling status of the owner. Only 2 per cent of the total farmland is out of use. Forty-five per cent of the owners are letting their land, this amount to 29 per cent of the area. Letting the land is evidently more frequent amongst small farms, thus confirming the trend of operational merging without ownership restructuring.

It can be concluded that whether the owner dwells on the farm does slightly influence whether or not the land is in use, but it does highly influence who does the farming.

Income and investments

Turning to financial returns and the differences factors such as private investments in farms and collecting an income from farming etc. make, if the owner resides on the farm or not, obviously, the domicile principle aims at keeping the owner at the farm, but does it matter in this respect?

Table 14.5 shows that, for most owners, income from the farm is supplemented from outside. For owners not residing on the farm, the group who receive

Table 14.4 Farmland area vs owner residency (2006)

Farmland area:		<i>Does the owner reside on the farm?</i>		
		Yes	No	Total
Farmland not in use	Area (ha)	37	172	210
	%	0.4	14	2
Farmland let	Area (ha)	2,651	596	3,247
	%	26	48	29
Farmland run by the owner	Area (ha)	7,343	476	7,819
	%	73	38	69
Total	Area (ha)	10,032	1,243	11,275
	%	100	100	100

Table 14.5 Part of total family income originating from the farm (Hedmark County 2006)

Income from the farm:		Does the owner reside on the farm?		
		Yes	No	Total
No income from the farm	Count	124	59	183
	%	21	48	25
Less than $\frac{1}{4}$ income from the farm	Count	258	49	307
	%	43	40	42
Between $\frac{1}{4}$ and $\frac{1}{2}$ of income from the farm	Count	106	7	113
	%	18	6	16
Between $\frac{1}{2}$ and $\frac{3}{4}$ of income from the farm	Count	58	4	62
	%	10	3	9
More than $\frac{3}{4}$ of income from the farm	Count	57	3	60
	%	9	2	8
Total	Count	603	122	725
	%	100	100	100

no income from the farm is relatively larger – though the difference could be expected to be even greater.

Table 14.6 shows that owners living on the farm invest twice as much in the farmhouse as those not living there. If the political goal is to maintain the fixed capital represented by domestic buildings in rural areas, this is an argument for owner residency of farmhouses. The levels of investment in farmland and movable machinery differ markedly with dwelling status in favour of owner residency.

Taken as original data, there is a strong significant difference between all investment factors dependent on dwelling status. If dwelling status and ‘Who runs the farmland’ are within the model, the latter is significant but dwelling status is not. The mean residence overhaul and maintenance cost in Norway outside of the cities for the same period is about 125,000 NOK (SSB, 2010). The numbers here are higher and might make them questionable. However, farmhouses are usually both larger and older than ordinary residences, and here there might be different understandings of what should be included in considering such investments. The value of our data is the differences, not the level. Aanesland and Holm (2000) claim (based on about 300 respondents) that the potential farm investment required (if in a free market) would be about 598,000 NOK (index adjusted). This is comparable with the present actual numbers.

Table 14.6 Investments last five years*

<i>Investment total over last five years (Norwegian kroner, '000s)</i>	<i>Mean investment + maintenance in farmhouse</i>	<i>Mean investment in factory plant and farm land</i>	<i>Mean investment in movable machinery</i>
Owner resides on the farm	285	365	303
Owner does not reside on the farm	150	185	150
Owner lives on the farm	Land let	130	113
	Land run by owner	533	436
Owner does not live on the farm	Land let	140	77
	Land run by owner	396	381
Total mean	262	335	276

* Based on estimating a continuous within-interval-linear probability density on the original ordinal data, including a point probability at zero

Discussion

It is accepted across the political landscape in Norway that, in order to avoid 'ghostification' of peripheral rural communities, governmental actions are required. Farm policy is one cornerstone in this respect. The domicile regulation regime is an important element in farm policy, but also controversial. It represents a curtailment of ownership rights and, as such, is in need of discussion as to whether this is a justifiable restriction on basic freedom rights. This study offers the empirical information on farmer behaviour required under the regime. It is not totally an empirical question, though, whether the domicile regime is justifiable or not; what ought to be the case cannot be claimed solely on the basis of what is the case ('Hume's guillotine' – Hume, 1739). Still, from a policy point of view, the empirical situation under the regime is decisive in deliberations on whether it is acceptable for society to put these restrictions on personal freedom.

Bromley (1991) defines property rights as 'the capacity to call upon the collective to stand behind one's claim to a benefit stream'. Bromley's definition is interesting when addressing the domicile regulation discourse in Norway, and the efforts it represents to balance owner access to benefit streams and community interests in promoting rural settlement and a freeholder peasantry. A Bromleyan

type of justification has been called upon by a majority in Parliament when imposing these restrictions on agricultural property owners.

The argument goes somewhat like this: the agricultural policy grants a substantial level of subsidies and other contributions from the collective to the benefit of farmers. This is meant to ensure a reasonable outcome from farming and answer a call from farmers to safeguard the conditions for production of vital commodities. In exchange, the collective is within its rights to impose these regulations curtailing property rights with the intention to promote the ultimate goal of rural settlement and a freeholder peasantry (Regjeringen, 2002). Is this a viable argument and a justifiable temporal intervention in the right to the freedom of movement? It is a complex question, but surely dependent on whether the residence obligation imposed on the owner when acquiring a farm actually promotes farm settlement, a freeholder peasantry, etc. Focussing on these two concerns, promoting a freeholder peasantry and encouraging rural settlement, does the present work illuminate goal achievement of the regime?

One basic reservation that applies to interpretation of the data is its case characteristic. The situation in Hedmark County does not necessarily apply nationwide. It seems reasonable, though, to assume that it should be a fairly good representation of the situation in the eastern part of Norway. This area embraces approximately 30 per cent of the roughly 190,000 farms in Norway (SSB, 2009a).

The overall impression from the data is that potential farm owners make up their mind about settlement at takeover. Those who decide to acquire a farm take up settlement on the farm according to the rules and – with a very high overall probability – stick to that decision *far* beyond the obliged five years. Even small farms with 5 hectares or less arable land (Figure 14.2) or farms with zero income from the farm, have a 70 per cent probability of remaining settled (data not presented here, but available on request). Owners with more than zero but less than a quarter of household income have a 90 per cent ‘survival probability’ (data available on request). It cannot be decided if this remarkable stability in residency is attributable to the domicile regime alone. What can be argued is:

- The regime is not at the margins with regard to ‘facts on the ground’. If out of touch with the general attitudes, more cases of ‘tactical settlement’ would be expected, i.e. where owners resettle outside the farm after the obliged five years. There was no sign of this in the data. Quite contrary, settlement behaviours appear to be compatible with the regime.
- It is shown (Figure 14.3) that those applying for a dispensation have a higher probability to leave the farm after a shorter period of time or not reside there at all, than those who do not apply for a dispensation. Thus, the domicile regime might be interpreted as a ‘selection funnel’ – it selects for potential buyers with a personal interest and willingness to relocate/to be trusted with a farm, thus making acquiring a farm more than a question of price. This aspect of the domicile regime has also been pointed out by Storstad *et al.* (2009).

- From a Bromleyan perspective, the balance between farmers' claims to a benefit stream and the constraint imposed by the collective seems effective enough to retain bonds of solidarity.

Statistics Norway (SSB, 2009a) reports that 21 per cent of all agricultural holdings in Norway were uninhabited in 2006; the same number in 2000 was 25.5 per cent. The uninhabited proportion varies across the country. In Hedmark County, statistics shows that 18.7 per cent of agricultural holdings were uninhabited by the owner in 2006, down from 22 per cent in 2000. [Table 14.1](#) reports that 16.7 per cent of the farms are uninhabited by the owner. Keeping in mind that farms with less than 3 hectares of arable land were excluded from these data, the figures are in reasonable agreement. However, [Table 14.3](#) shows that approximately a quarter of houses uninhabited by the owner are being used as letting properties and another third as holiday homes. Only 12 per cent of domestic farm houses in Hedmark are out of use as permanent habitations.

The most important factors influencing the shares of properties inhabited are, according to public statistics (SSB, 2009b), whether the farm is active in arable land, and the size of the farm. This is also in accordance with the present findings, as can be seen in [Tables 14.3](#) and [14.5](#). [Table 14.2](#) on survival probability also expresses a threshold at around 5 hectares, which is pretty much the same picture as public statistics generate. What is added in our work is a longitudinal perspective: a permanent settlement for a given owner is significantly more probable for farms with 5 hectares or more of arable land.

From 1997 to 2006 the average farm debt per cent increased from 37 per cent to 46 per cent of total capital due to increased investments (Haukås *et al.*, 2009). The present data register a fairly high level of investments in the farm. As [Table 14.6](#) shows, investments are significantly higher for owners living on the farm – both in buildings and machinery. To the extent the domicile regime is seen as an instrument to maintain and develop rural cultural landscapes, as it is defined by farm buildings, it is a success to demand an initial five year settlement by the owner. Owners living there are a significantly better insurance to the integrity of the rural agricultural landscape than owners not living there. Aanesland and Holm (2000) report that 44 per cent (out of 61 respondents not living in the actual municipality) claim they would have 'invested more' if in a free market. They also report that 23 per cent (out of 246 respondents living in the actual municipality, possibly on the farm) claim they would have 'invested more' if in a free market. Sixty per cent of these respondents owned farms in Hedmark County. However, the questions asked are hypothetical.

The mean age at takeover has grown by 3–4 years per decade, as seen from [Figure 14.1](#). This may be due to longer spells in education taken elsewhere by the coming generation, thus the parent generation stays as owners longer until a takeover is feasible. Whatever the reason may be, this development is also reflected in the overall rural demographics. In Norway, the age profile in rural regions is tilted towards an older population relative to urban regions. More interesting is that the rural age profile also has a higher proportion of young people relative to urban

regions. One might expect that this drives the formal take-over age for farmers down, and not up as we have registered. Aanesland and Holm (2000) have suggested that this does not happen because the price regulation regime makes it unprofitable to sell.

Bromley's (1991) definition of property rights can be read as an exchange. Farmers call upon the collective and claim rights to benefit streams – subsidies included – while the collective gets acceptance from farmers to impose statutory regulations to ensure it is perceived as a common good. Does it work? The settlement part of the regulations turns out effective in our analysis in the sense that actual farmer settlement behaviour conforms to the intentions of the regulations.

What to make of this in a core-periphery perspective? Does the domicile regime itself influence exchange relations; and, if it does, to the benefit of whom: core or periphery? The domicile regime is intended to preserve rural settlement, and settlement patterns are generally considered important in core-periphery policy deliberations, as in the national policy goals of 'Vital and Inhabited Rural Communities' and 'Put the Whole Country to Use'. According to the data in this analysis, residing owners invest more in their farm than non-residing, and the domicile regime seems to promote permanent settlement (as discussed above). A higher level of investment means a more vital economy, and must be deemed to benefit core-periphery exchange by raising demands from the periphery directly and/or indirectly. To this extent and *ceteris paribus*, the domicile regime supports the policy goals by vitalising the economy of the periphery. It must be added, though, that the *ceteris paribus* reservation in this conclusion is important, as we have no intention here of discussing the importance of domicile requirements relative to other factors of farm policy, e.g. tenure regulations or tenure trading conditions (i.e. the role of the market).

In pursuing peripheral policies, typically certain actions or regulations are implemented. *Survival analysis* is well fitted to measure and estimate the longitudinal effect of actions and regulations, and pin-point influential factors.

Conclusion

The domicile requirements installed in 1974 appear to be generally accepted by owners as a regulation in accordance with dominating settlement motives and interests – based on data confined to the county of Hedmark. There are no patterns apparent of 'tactical settlements' uncovered in the data, whereby an acquirer would have satisfied minimum obligations to obtain the land and only to then move away. Owners settled on their farm invest more resources in maintaining their fixed and moveable capital. The intention of the regulation to combat 'ghostification' of the periphery statistically is redeemed judging by factual settlement behaviour patterns. In this respect, and to that extent, regulations could be deemed a success. This being a vital issue in collective interests, owners' acceptance and compliance with the regulations may be seen as a key factor in farm owners' 'capacity to call upon the collective to stand behind one's claim to a benefit stream' (Bromley, 1991).

However, owning a farm and *in persona* running the farmland are separable functions on a farm, even though the owner is responsible for keeping the land in production. Thus, taking up settlement on the farm and *in persona* doing the actual farming are not highly related, especially in smaller farms where the land often is let as supplementary crop land to other farms. So, while a domicile requirement may be deemed reasonably effective in keeping farms inhabited, one cannot conclude that those who inhabit the farms *de facto* are themselves active farmers. This again means that domicile requirements alone will not secure a goal of a freeholder peasantry defined as active farmers inhabiting farms.

Notes

- 1 Mr Festersen, a German national, in 1998 acquired a property in southern Jutland which, according to the land register, is designated an agricultural property. Mr Festersen did not satisfy the requirement to reside on the property. The Agricultural Committee for Southern Jutland in September 2000 ordered Festersen to dispose of the property within six months, unless the ownership was put on a legal footing by fulfilling the residence requirement.
- 2 The study was commissioned by the Agricultural Office at the Hedmark County Governor.
- 3 That is, the official address is within the municipality due to AOH files.
- 4 On a timescale, the higher values are to the right: Thus 'right censored'.
- 5 Some odd entries in the table might be explained by 1) mis-answering; 2) there might be more than one farmhouse; but also by 3) the fact that 'use' is about 2006 while 'living on the farm' is about 2007.

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15 The political entrepreneur as an unconventional problem solver in a Northern Periphery

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Introduction¹

Globalisation is a phenomenon that is often said to have contributed to two very distinct types of simultaneous processes: one is globalisation in itself and the other is the backlash, which is said to be the regionalisation or the localisation process. It can be said to be the reaction to a world where certain values are becoming extinct. Hence, all over the globe, alongside the general effects of globalisation one can also find local initiatives that strive to strengthen or maintain a local culture or local governance (Baylis and Smith, 2008; Gustavsson and Tallberg, 2009). Apart from the local processes that have been provoked, over the years there has also been a change in the pattern in which communities are governed, a change that involves among many other things the transition from government to governance (Bache and Flinders, 2004). The change in decision making and power distribution has led to a political arena where new political behaviour has become possible (von Bergmann-Winberg, 2010).

At the same time as there have been changes in the political arenas there have been changes in the welfare state and the demography in the Scandinavian countries. During the last couple of decades a situation has appeared where a decreasing number of people have to provide for an increasing amount of people (DS, 2008: 36; SOU, 2003: 123; Stephens, 1996). It would probably be fair to say that some of the challenges originating from these changes have had a more profound impact on sparsely than on densely populated areas.

The Swedish Board of Sparsely Populated Areas (Glesbygdsverket, 2008: 7) concludes in their report *Landsbygden i de regionala programmen (The countryside in the regional programmes)* that the biggest challenges in the sparsely populated areas of Sweden are: globalisation, demography, climate/environment, difficulties in recruitment of labour, the increased providing-load for the working part of the population, competence and infrastructure. The younger cohorts migrate, for various reasons, such as a larger variety of job opportunities, better public services, higher education, the urban way of life or perhaps in search of a life partner. Families with children move away because they fear that education will be inadequate within a couple of years, or they fear that further closure of *byskolor* (village schools) will create a situation that will require them to send

their children off to schools so far away that they will have to spend their working weeks at a dormitory only to come home over weekends, and all of this as early as the 5–6th grade, i.e. at the age of 11–12 years. In taking these precautions they also contribute to the downward spiral that is only a small part of what we today have come to know as ‘peripherality issues’. Left in the sparsely populated areas are those who are no longer of child-bearing ages and those who have already retired; a tax base that no longer can take the pressure of the demographic changes and public services that become more and more inaccessible for the population and more and more unaffordable for the government. Yet more people move away, and slowly but surely one work-place after another closes down because of the lack of labour. Yes, it is a somewhat depressing scenario. Newspapers, research, TV and many more keep telling us that the countryside is dying. On national debates you will hear people from the cities saying they will not pay taxes to provide for those who live in sparsely populated areas. However a different side of the story is exemplified by quoting the mayoress of Krokom: ‘People in this region provide for themselves’.²

The countryside is not just misery and problems. It is also breath-taking nature, the possibility of finding a spot to contemplate in complete silence or indulge in fishing or small-game and big-game hunting. And these areas are also full of people who constantly have worked hard to find new ways to make a living, making the journey from a dream and an idea to a successful business or enterprise.

In August 2008 I participated in a seminar about female enterprise in sparsely populated areas and many motivational speakers had been invited to share their stories with the participants. Although this was a seminar on female enterprise one of the speakers was a man, John Helge Inderdal, CEO and founder of the Lierne Bakery. The listeners were told the success story of a man who started his business from scratch outside a small village, Sørli, in the municipality of Lierne. In less than two decades it went from being a small hotel bakery to being the number one deliverer of the Norwegian traditional delicacy *lefse*, employing over a hundred people from both sides of the Swedish–Norwegian border.

But there are not only business entrepreneurs in the region. There are also political entrepreneurs. Political entrepreneurship, according to von Bergmann-Winberg (2010), is to some extent the result of the very changes in decision making and power distribution that was mentioned earlier in the introduction. Of course, the changes in the world system have not produced solely political entrepreneurs; it continues to produce politicians going about business as usual as well as political predators i.e. those that only use their position in order to produce or extract personal benefits.

However, this chapter does not strive to explain the business-as-usual-politicians however one would define them. Nor will it describe political predators and their endeavours. What will be explained is the ‘political entrepreneur’ or the ‘entrepreneurial politician’. Political entrepreneurs who found that the issues of being a border region combined with the traditional issues of being a region in the periphery a tough nut to crack but, instead of just watching the number of inhabitants decrease, decided to find a way to ‘crack the nut’. The ideas that

came about were those of turning the disadvantages into advantages, to see the border region as a possibility instead of an obstacle. It will be a long process, but they seem determined to succeed, to create a transnational region with the instruments needed to stabilise the number of inhabitants and to create a region where co-operation in a large field of areas will be made possible by eliminating the problems that the border creates.

This chapter will give you a general presentation of the term ‘political entrepreneurship’ in order to move on to an empirical setting that might serve to put the entrepreneurial politician into context and to demonstrate what changes a political entrepreneur can or cannot bring about in the political arena. The research in question is performed through qualitative methods and will be presented with a discussion on the advantages of using these kinds of methods and individual-level studies within political science.

The research field and background – a periphery

First of all, periphery is a word that will be mentioned several times in this chapter and therefore perhaps deserves to be at least loosely defined before we continue. The traditional use of the word, especially in political science, has been in the context of World-System theory developed by Wallerstein (1974). The traditional features assigned to the periphery according to this theory have been, for instance, lack of democratic governments, export of raw materials, imports of manufactures, wages below subsistence and no welfare services. Although there may be some similarities between Wallerstein’s periphery and periphery in this case (for instance: people with higher education move away), here the periphery is approached in a more relative sense. The main trait identified in the publication *Northern Peripheral, sparsely populated regions in the European Union* (Gløersen *et al.*, 2005: 21–22) is that periphery is an area that is remote, has a cold climate and has a sparse population and with that comes a number of economic/demographic constraints, for instance an ageing population and a relative lack of public services.

With that being said, the project that this chapter uses as its empirical field – Midt-Skandinavisk Regionprosjekt GIM – includes two Norwegian municipalities and parts of two Swedish municipalities. The Norwegian municipalities are those of Røyrvik and Lierne in the county of Nord-Trøndelag and on the Swedish side Frostviken, which is the northern part of the municipality of Strömsund and Hotagen, the northwestern part of the municipality of Krokomb, both located in the county of Jämtland. It is a sparsely populated region with some 3,450 inhabitants in an area of 11,000 square kilometres. During the last 10 years, if not longer, the region has annually lost 1 per cent of its population and many of the services such as bank offices and dentist have disappeared as a consequence. They do not only face the problems that are the result of the classical demographic changes in the rural areas of Sweden and Norway. They also have to face the challenges presented by the fact that the area is divided by a national border that is also the outer border of the European Union.

The region holds a cultural heritage with strong traditions of communications over the border that has endured over centuries. In fact the area had a common tongue, *limål*, until well into the twentieth century and some people claim that it still exists. In an interview with the pre-project leader he was asked if it was possible to say that this region building is based on a cultural heritage. He responded: 'We are re-creating a cultural heritage.'³ He then picked up the map of the area and showed me that for a long time Lierne/Røyrvik had seven eastward roads connecting them with Sweden but only three westward roads connecting them with the rest of Norway. Based on this it was more common to interact eastwards than westwards. Family ties on both sides of the border are common. Many have one Norwegian parent and one Swedish. For instance, in the graduating class of 1996⁴ in Gäddede on the Swedish side four out of nine had at least one Norwegian parent.

The four entities Lierne, Røyrvik, Frostviken and Hotagen will hereafter be referred to as *the communities*. The leaders of the communities had in fact been meeting for almost 20 years. However it was not until a number of ideas occurred at the same time as a new EU Structural Fund period began that things really started to happen. The idea was briefed for the first time in May–June 2007 and developments started rolling immediately. A large (measured in the GIM context) feasibility conference was held in Gäddede on 27 August 2007 and a pre-project was initiated. The pre-project was to evaluate the possibilities in the region and to investigate the wishes of the citizens. To make a long process short the work concerning the collection of the views of the citizens was performed as follows: the leader of the pre-project met with *byalag* (village councils) and local trade and industry associations. At each gathering they were given the opportunity to list possible and desired areas for co-operation. At the end of every meeting they were all put together and at the next meeting with the next group of citizens they were given the opportunity to present new ideas as well as rank the ideas of the previous groups as 'immediate priority, priority for later on, not a priority'. At the end of the process the results were presented to the GIM board who, based on these priorities, could start to make a project plan that had a true bottom-up perspective. The project plan was reported back to the respective municipal council. These authorities made decisions about the amount of money they were willing to invest in the project and the application was completed with the support of all the co-investors. Apart from the municipalities investments were made by some external financiers (public and private). The project application was submitted to the Interreg programme and was granted.⁵

The project is an investment in the region of over 23 million SEK (approximately 2.16 million EUR with the exchange rate of 11 January 2010) and it will focus on raising the economic growth rate by taking measures towards removing border obstacles, in favour of the development of businesses, entrepreneurship, research, education and the development of infrastructure. It will also focus on increasing the attractiveness of the area by taking measures towards the development of the countryside, the improvement of general health, the improvement of cultural and creative activities and in improving a sustainable relationship with

the natural resources. This will be done by performing a number of sub-projects (see [Table 15.1](#)). The project is extensive and is an investment of almost 7,000 SEK (approximately 700 EUR) per inhabitant.

Who is the political entrepreneur – generally and specifically

The term ‘political entrepreneurship’ has been used by many scholars but has not been explicitly defined and no definition is equal to another. The first to try and define the term, or perhaps to use the term at all, was Dahl. He described the political entrepreneur as ‘A leader who knows how to use his resources to the maximum and ... is not so much the agents of others as others are his agents’ (Dahl, 1961: 6).

Schneider and Teske (1992) define the political entrepreneur as an individual who changes the direction and flow of politics. They move on to explain that a political entrepreneur can be an elected politician, a leader, a creator of an interest group or high non-elected leaders. Holcombe (2002) does not define who might be a political entrepreneur but defines the political entrepreneurship per se as something that happens when an individual observes and acts upon a political profit opportunity. Sheingate (2003) instead defines the political entrepreneur as an individual who has a transformative effect on politics, policy or institutions and the definition made by Buchanan and Badham states that the political entrepreneur ‘Adopts a creative, committed, reflective, risk-taking approach, balancing conventional methods with political tactics when the circumstances render this necessary, appropriate and defensible’ (Buchanan and Badham, 1999: 32).

Hence, political entrepreneurship seems to be many things and in order to try and define what is meant it might be a good idea to mention what is *not* meant. When Holcombe (2002) develops his theory about the political entrepreneur, it becomes clear that it may very well be a selfish individual that acts as a parasite off of people and uses his position of power in order to transfer resources in a manner favourable for himself. Schneider and Teske (1992) however, argue that

Table 15.1 The planned part project according to the final report of the pre-project

<i>Part projects</i>	
Mapping of needs	Culture
Enterprise and labour	Youth
Enterprise measures aimed particularly at the Sami population	Nature and management of environment
Tourism	Information
School	Infrastructure
Police	Fees, VAT, customs
Doctor/health/health care	Church

the political entrepreneur cannot profit from the benefits that his ideas generate most of the time.

Barth (1971) has a similar position to that of Holcombe and claims that politics as an entrepreneurial activity should be questioned since it might lead to the creation of a situation where people become strongly dependent on the entrepreneur and start to view him as indispensable. However that is not the way that the political entrepreneur has been interpreted here. In the particular case presented in this chapter the political entrepreneurs have to a large extent stepped aside and have left the practical work to the project leader and the people employed within the project. Nevertheless they continue to work actively lobbying and supplying the information required in order for the project to create a sustainable change.

Based on the empirical material in the case presented, the understanding of political entrepreneurship will be a mix of the definitions that have not been discarded above and will loosely be defined here as follows:

the political entrepreneur is an elected politician, leader or creator of interest groups or high non-elected leaders who, through the use of creative actions, changes or strives to change the direction of policy and/or politics and through this behaviour has a transformative effect on politics and/or policy as well as its institutions. Furthermore the political entrepreneur does this in the interest of the common good.

Political entrepreneurship or ‘business as usual’?

Is it not, or should it not, at least be ‘business as usual’ for a politician to act in an entrepreneurial manner in order to generate positive outcomes for the people he represents? That, of course, is both a matter of values and a matter of how one perceives the political office and political entrepreneurship.

Johannisson (1992) writes in his *Skola för samhällsentreprenörer (School for societal entrepreneurs)* that the driving forces behind societal entrepreneurship are different from those of, for instance, municipal civil servants since those hardly can mobilise nor be expected to invest the same amount of commitment as that demanded of the political entrepreneur. However, in the project presented here, it has been possible to find municipal civil servants who have acted as political entrepreneurs and who definitely have shown the commitment that Johannisson claims cannot be expected from a civil servant. Perhaps this is the very core of political entrepreneurship – to show a commitment far beyond that expected of a person in public office. It is obvious, however, that their actions are outside of what would be considered ‘business as usual’.

In this case what brought attention to the presence of political entrepreneurship was an interview with one of the people on the board of the project. This person claimed that the whole idea of trying to solve problems through cross-border cooperation came from one single person. When this person was interviewed I asked if, in fact, it had been his idea and he nodded and said that it was probably so. The whole proposal had come about as an exercise this person had been

asked to do together with some colleagues. The exercise was to think of what they wanted their obituaries to say, and this person's answer was: 'XX initiated the creation of a Norwegian-Swedish municipality'. With these words being put down on a piece of paper the idea started to take shape and it was presented to the other GIM board members.

In this instance we are actually dealing with several political entrepreneurs and not just one. The idea was brought about by one person, but making it reality has been the job of several. What was done after the idea had been presented to the board was that they all started working with lobbying towards the national and supranational levels (the European Union) and the persistent work has led to rather extensive media coverage (for a small region) and has brought the situation of the periphery into the agendas of several ministers and members of parliament. Their actions can be said to have been politically entrepreneurial since they did in fact bring about changes in the direction and flow of both policy and politics.

The project plan in itself is an initiative that is permeated by a bottom-up perspective and that bears in mind the opinions and wishes of the people who live there. It is also ambitious in its nature since it is dealing with issues such as trying to change tax legislations and creating a police station that can issue passports for citizens from both countries. The political entrepreneurs identified a situation that was not sustainable and made an effort to bring about real change. The region had already lived through numerous projects, none of which had actually changed anything. This time it had to be different, hence the different way to approach things. The political entrepreneurs in effect visualised something that in the eyes of many outsiders seemed too ambitious or not achievable, but none of them considered it impossible. In the interviews with the political entrepreneurs they all showed belief in their region and the work that they are doing and they showed enthusiasm when talking about the potential change in its development. All the way through the process of the pre-project and the start-up information, this has been an important part and the region now has its own monthly magazine that tells people about the project and about positive developments and activities in the region. This information has led to more people being informed and engaged in the process and it seems also to contribute to local self-esteem (Interview with assistant project manager).

With the definition of political entrepreneurship presented in this chapter, it should not be a problem to define the actions of the local politicians in the region as entrepreneurial. Whether or not the project will succeed in its objectives, the political entrepreneurs have made people aware of the situation and that something needs to be done. They have been made aware that without change the region will be facing further negative development. They have also made people aware that the region has possibilities; they just need to be delivered. And finally, having been made aware of the possibilities, people become less aware of limitations and local self-esteem is developing positively, which creates an important foundation for the future.

The political entrepreneur in the experience of the periphery

Political entrepreneurship as it is described by, for example, Kingdon (2003) often feels remote and unfamiliar in the study of this case (and other peripheral settings). Kingdon describes the political entrepreneur, or rather a policy entrepreneur (which to my understanding is a sub group of political entrepreneurship) as a person who lies in wait for the right opportunity to come along to advocate his ideas. He is known for his political connection or negotiating skills, he is persistent and has the ability to speak for others. It is not his political skills that make him alien to the political entrepreneur in the periphery. It is rather the fact that the political entrepreneur that Kingdon describes is one in the core, often one that is close to the sources of power, one that lurks in the system waiting for the opportunity to act. In the periphery however, not saying that there are no opportunities there, it seems that the political entrepreneur is more focused on solving a problem whether it be supply of services or a decreasing population. Hence, the political entrepreneurship is more an *entrepreneurship by necessity* (von Bergmann-Winberg, 2010) than the enactment or some opportunity to make political profit.

In this case the political entrepreneurship seems to have risen from a stagnation in the local social and political environment, i.e. that some part of the political system had reached a point where it was facing a negative development or no development at all. But how can it be said to be stagnation when it is a downward development and therefore obviously moving in some direction? Well even if the development is negative, per se, it is the result of stagnation in policy. Policy and politics have not developed alongside the changes in society and demography. Whether or not stagnation can trigger political entrepreneurship in other peripheries is difficult to say without studying more cases, but it could certainly be an interesting starting point for further research.

What are the strengths of the periphery?

Anderson (2000) also makes an attempt to understand the nature of the peripheral structure and entrepreneurial agency. She claims that growth in peripheral areas often means attributing values such as 'quality of life' rather than mere economic prosperity. Periphery is still talked about as subordinate to the core in a relationship that rests upon social and economic constructs, yet with recent changes in consumption patterns the periphery has gone from being a producer of primary goods to something that is consumed in its own right and that the 'left-over qualities' such as underdevelopment and tradition have become a corner stone in the creation of something different to consume instead of the standard modern materialist consumption. Hence if consumption patterns in the periphery have changed towards post-modern values it is reasonable to believe that many of the people who choose to stay in the periphery also share at least some of these post-modern values. An example that Anderson gives is that time in the periphery has gone from being a measure of efficiency to a unit of pleasure: 'Hence the problematic is

that we may try to analyse a pre-interpreted environment, where the creation and recreation of meaning is exactly the very condition of what we seek to analyse' (Anderson, 2000: 105).

The periphery as a place where one focuses on post-modern values and consumption possibly also makes it into a field that is more occupied with existential issues rather than material issues. The attitudes observed in the periphery were that the initiatives were about solving a problem in order to be able to continue living there, in order to make things work in a manner that makes the place livable and attractive. 'We don't strive to become a city, we don't want that' one of my respondents said at a board meeting when discussing what type of growth they were looking for.

Another thing that comes to mind was an interview with a group of young people in the region. Asking them why they liked living there and what it was that made them stay, one of the answers was: 'We can do things more freely here'. One of the other people in the group chuckled and said: 'Yes, it's almost like no man's land'. Then it occurred to me that perhaps the periphery is a perfect setting for entrepreneurs since activities can be done more freely. According to these young people the strength of the periphery was exactly the fact that it was far away from the core and that the core and its institutions did not have an interest in dictating the conditions for the people living there. Traditionally this neglect on behalf of the core, i.e. that the core is less prone to tend to the needs of the periphery, is seen as something negative, but in this case the young people considered it an asset.

The periphery is almost always discussed in relation to the core, with the core being the ideal and the periphery being *the other*. The periphery hence is defined as being not-core as opposed to being defined for what it is, much in the same way that feminists such as Simone de Beauvoir used to say that women were defined as not-men as opposed to being defined as women (de Beauvoir, 1952). Perhaps it would be constructive to try and create definitions of the periphery based on what it actually is and not as not-core, since being not-core automatically implies something negative. Fuduric is one of many who has studied entrepreneurship in the periphery and a quote that describes exactly the point that I wish to make is:

The periphery is often viewed as a challenging space for the entrepreneur because of the perception of a lack of resources in comparison with the core ... Resources are defined by the spaces they are in. Thus it is important to understand *where* an entrepreneur is to judge *what* kind of entrepreneurship is possible.

(Fuduric, 2008: 3)

The periphery is perceived as lacking resources because of the definition of the periphery as not-core. What resources would one start to see if the periphery was actually seen for what it is and not for what it is not?

Using qualitative methods in political science

This chapter is based on empirical material acquired through qualitative methods such as in-depth interviews and participatory observation. The uniqueness of the empirical field in question is that it is an ongoing project. Traditionally, political scientists researching a project or a process do so retrospectively, i.e. when the project or process has ended. This means that one does not necessarily have access to first-hand information since one might not be able to talk to the people involved.

Political science often deals with levels above the individual. Often it strives to explain a phenomenon on an institutional or higher level, and it might even be a relevant question whether or not it is even interesting to look at data on an individual level in political science. In this context, I argue that it is very much interesting and relevant for several reasons. First of all, political systems are made by people and their rules and practices are upheld by individuals. Coleman (1990) explains in several places of the introductory chapter of *Foundations of Social Theory* that it is relevant to look at the interaction between different levels of analysis when you observe a phenomenon. One of the motivations that he makes is that, often, the behaviour that is to be explained takes place on a different level than the level where its purpose was specified. This builds on Rational Theory, i.e. that every action taken has some kind of purpose. This, for instance, might mean that something can take place on a system level (macro) whereas the purpose of it was formulated on an individual level (micro) since the need for the action arose on the individual level. Reversed it can also mean that even if a decision is made at a national level, the implementation of it often takes place at a lower level than the national, hence it is relevant to include lower levels of analysis. Hence, with the help of Coleman I argue that it is relevant to keep an open mind as to where a phenomenon originates when you study it, if you really wish to understand it. In this case there is some substantial institutional change going on in the region in question and in order to create an understanding of the process and driving force behind this particular case of institutional change it is relevant to look at data on an individual level since the process itself was initiated there. Using Coleman's terms there is change going on at a macro level due to intentions and actions on a micro level. This however is just one case but it can be argued that individual level data are relevant for a political scientist when it comes to studying certain phenomena. The situation has to decide what data are the most adequate.

Many of the methodological approaches that I have chosen to work with here are somewhat unorthodox for a political scientist and it has not always been easy to find fellow political scientists who have used the same methods. However, had I chosen to work with methods less close to the empirical field, a lot of the understanding of the phenomena of political entrepreneurship would have been missed.

Using qualitative methods such as participatory observation might sometimes create situations where you acquire knowledge that is difficult to present. Details can contain valuable information, but be difficult to describe in words. One method that can be used is the narrative method. The narrative method makes it possible

and requires that the researcher takes on different roles and shifts between being *a listener* to a story being told, *the translator* of what is being said and puts it into writing, *the reader* of texts written by him/her or other people and as *the author* of a text. Throughout the entire research process the researcher, however, will always be an *active interpreter* (Johansson, 2005). The method creates the opportunity to present your research results as a story, without losing valuable nuances. Having an ethnographic approach in your narrative also makes it possible to practise autoethnography – a way to situate the self in the narrative. This is done in order to make the self an object of research and to create a reflexive connection between the researched and the researcher (Burnier, 2006). Perhaps irrelevant to some, but the advantages derived from situating the self in the narrative are manifold. One, according to Holman Jones (2005) being that you make it possible for the reader to participate by contextualising. Another is that you stage impossible encounters by bringing people in contact with ideas or situations they otherwise would never have been brought in to. In this case it has meant for the author to make herself an object of study, realising the pre-understanding she has due to the fact that she was born and raised in one of the communities researched, hence, has an understanding of what it means.

Through the use of autoethnography, the potential bias of researching, for instance, your own home town becomes an asset rather than a liability. Or with the words of Pamphilon (1999: 395): ‘I could not pretend to artificially silence my already active voice’. Perhaps a somewhat bold approach and what could be better than ending a section on bold methodology than citing a scholar favouring involvement in social science research. Hence, with the words of Johannisson (2002: 15): ‘Although social scientists today question the existence of “pure” data whatever established methodology practised, few seem to be ready to take the opposite position, substituting control with involvement’.

Relating the methodological discussion to the discussion of understanding the periphery, I previously claimed that the periphery tends to be mentioned in relation to the core and hence makes it look like a hopeless place to start a business or live. As long as research has an explicit or implicit ‘core-as-standard’ attitude it will be difficult to bring about real understanding of the periphery. How do we change this core-biased approach? I claim that the use of qualitative methods are part of the answer, to partake in the life of the periphery, to talk to those who chose to live and work there, to have a generally more present approach that makes it possible to minimise the core bias. The periphery is not a core. Nor does it strive to be a core in the metropolitan sense of the word. The periphery has a different set of strengths than the core and the people living there do not necessarily value the same things as the people who chose to live in the core.

Furthermore, funding for research is mainly given to disciplines that are predominantly quantitative (Greenwood and Levin, 2005) and it could be argued that the periphery, in this sense, due to its ‘littleness’ becomes uninteresting to a quantitative researcher or that whatever numbers and characteristics gathered from the periphery disappear in a greater analysis, for instance. This ‘littleness’ is something that has repeatedly been mentioned by those interviewed. It is hard

for a small community to be noticed in a larger political context and in survey studies they tend to disappear among the results from the cities. What has particularly been emphasised by the respondents is a *lack of understanding*, on behalf of people in the core, of the living conditions in the periphery. It was also observed that respondents were very pleased when incidents occurred that demonstrated examples of a particular problem when visited by central government politicians.

Flyvbjerg (2001) encourages what he calls a phronetic approach. This approach is one that is more involved and that produces its results in cooperation with the research field. It combines the researcher's professional knowledge with the local knowledge of the people in the research field. He claims that it helps the researcher to be less obtrusive and to violate fewer local norms. Quite possibly it can be a tool to understand a setting more based upon what it is and less based on what it is not. Greenwood and Levin (2005) posit that the validity argument in social research should perhaps be whether or not it leads to the actual solution of a problem. One of my interviewees said: 'It feels so much better to be interviewed like this instead of answering an online survey. Nowadays I just delete those [the emails containing online surveys]. When it's done like this there is interaction.'

The majority of the research findings were discovered through the close connection with the empirical field. For this particular case, the use of qualitative methods has been invaluable. Maybe, once we have started to *understand* the periphery (and its political entrepreneurs) we can interact with it in order to further its development.

Concluding remarks

In this chapter you have been introduced to one of thousands of peripheral areas and the challenges they are facing. However, in order to understand what it means to live in a peripheral area with its charms and challenges (as in any other place) it is my conviction that you have to 'live and breathe' it for a while to know. Also, in order to know what the periphery needs one has to listen to the people living there. The same goes for every situation. How can one possibly know the needs of a fellow person if one never asks? The strengths of the periphery are probably yet, to a large extent, undiscovered or unexploited. And if the periphery is to be developed permanently into areas where people can make a living it needs to be developed in a manner that favours the periphery and not just the core, as is the case in many parts of the world. But then again, in order to make this change one needs to go beyond the core-bias and get new perspectives. As Fuduric (2008) wrote, it is just a matter of perceived lack of resources. Eyes and minds need to be opened.

You have also seen an example of politically entrepreneurial behaviour that strives to permanently develop a region, been introduced to how it started and to who the entrepreneurial politician is and what he does. Further, you have been given an understanding of a periphery as a space where post-modern values seem to prevail so that, together with this case study, you recognise that the political entrepreneur in the periphery is an entrepreneur that acts out of necessity for existential reasons rather than for material reasons (the material may very well

be of importance for the existential, but the existential is the igniting spark). It is not possible to draw any major conclusions based on only one single case, but I encourage more people to study the phenomenon in order to see what individuals can actually do for development. Perhaps we will discover that individuals cannot achieve much? But perhaps we will discover that individuals can in fact do a lot. And if individuals can make a difference the excuse ‘my voice doesn’t matter’ might become unfashionable.

Political entrepreneurship as a driving force behind regional development might be more common than is actually known since it is a research field that is still to a large extent unexplored. We are yet to discover what impact it might actually have. However, it seems that individuals *can* make a difference. Maybe not alone, but they can lead the way. Some decades ago one very famous man, Martin Luther King, said ‘I have a dream’ and that dream and his efforts may very well have had a big impact on the United States presidential elections in 2008 and the election of their first African-American president Barack Obama. So, as a political entrepreneur he, together with many other political entrepreneurs, has paved the way for changes in politics, policy and institutions. Perhaps political entrepreneurship is an important part in development in general? And maybe for the development of the periphery in particular?

Notes

- 1 Parts of this material have been published in Swedish in Brandum Granqvist (2010).
- 2 Söderberg, Maria, Mayoress of the municipality of Krokoms. Interview 19 September 2008.
- 3 Bach, Steinar, Manager of pre-project. Interview 14 April 2008.
- 4 The graduating class of 1996 was the author’s graduating class.
- 5 The EU Interreg programme is part of the new goal ‘Territorial Co-operation’, which strives to strengthen cross-border co-operation within the EU and with the neighbouring countries.

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16 Concluding and looking at the border

Mike Danson and Peter de Souza

This concluding chapter has a greater ambition than just summarising the experience and results presented in this anthology. We will also try to venture into the implications of issues relating to the concept of borders and a relevant introductory framework for the theoretical and methodological prerequisites in this field. We are legitimising and suggesting that this excursion will bring us full circle and highlight the main theme, i.e. peripheries and margins, and also open the door to one complementary, quite important, analytical angle.

But before we do this there is a need to discuss some of the lessons to be learnt from the empirical excavations presented so far. One of the major and recurring themes is the discussion on the existence of entrepreneurship and innovation in the periphery, their substance and conditions. Another is connected with living conditions, settlement issues and relations with economic and social preconditions.

Raising the question of what kinds of peripherality we are talking about, Fuduric presents a discussion on the limitations of the body of existing proposals and elaborates on one such approach in particular. This highlights the necessity of linking any kind of typology to a thematic approach. This is elegantly done in presenting the basis for an entrepreneurial 'infrastructure' with a discussion of available and necessary resources in different contexts. Seen together with other contributions, as Davies *et al.* and Bosworth especially, this is an avenue that promises much, both in the way of methodological development and in substantiating some of the findings in the contributions of these authors.

Davies, Michie and Vironen bring the issue of innovation in the periphery to the forefront, questioning if dominant innovation theory really can disclose the special dimensions of innovative activity. They are putting forward an interesting case where conceptual changes highlight spatial impacts (peripheral) within the profiles of branches. They reveal hidden aspects of innovation founded on non- or less-codified knowledge bases, and the proposition of reaching for further innovative capacities in these areas through the improvement of the infrastructure. Lindegaard ventures into the same field, highlighting these issues on the basis of two case studies. This author suggests an interesting new avenue for thought and research in the proposition that the focus on the peripheries and the rural will contribute theoretically and methodologically to centre, core, urban perspectives.

Bosworth focuses on aspects of rural business development and economic activities in the post-war era seen from the perspectives of counter-urbanisation. 'Commercial counter-urbanisation' is the term used, describing rural economic growth stimulated by inward migration. Survey data and qualitative interviews in the north-east of England have shown that in-migrants own over half of all rural micro-businesses; they are also more growth-orientated and responsible for significant employment creation. What is even more important is the evidence for these economic activities being much more than spatial decentralisation. Another process is based, at a first stage, on seeking a quality-for-life change, which is followed with a business decision that may occur several years later. With this time lag, in-migrant business-owners will be influenced by different factors in different locations, which will indicate different rural development trajectories. The balance of local embeddedness and extra-local connectedness is thought to be critical for successful and sustainable development. The implications for issues relevant for the second theme are self evident.

Crone discusses the relation between KIBS (knowledge-intensive business services) and peripherality and notes the lack of substantial empirical evidence and more detailed studies. The service sector clearly has been increasing both in volume and function within peripheral areas. He indicates the importance of future endeavours in this field and suggests an analytical disaggregation to types of peripherality and types of KIBS. This chapter includes a discussion on aspects of change as regards accessibility which widens the range of possible KIBS functions, plausibly decentralised to some variants of peripheries defined as such today.

Bergum approaches the aspect of peripherality from one of its basic definitional aspects – distance. The entrance to this analysis, however, avoids one of the major pitfalls in this field – the exclusive interpretation as physical distance. It also highlights the existence of compensatory regimes where alternative aspects of proximity are discussed both empirically and hypothetically. Examples from research on telework and distributed innovation turn the discussion once again to the alternative view: preconditions for economic activities in the periphery. The tentative approach has a lot of interesting implications, not least linked to other findings in this anthology. This says, in general, that the functioning of the economic/social etc. structure in the periphery has to be analytically approached based on its own preconditions and not through models designed for analytical approaches valid in urban contexts.

Noted in the discussion in all of these chapters is the functioning background of economic structures and processes. The traditional economy of agriculture and primary resource-based activities is part of the day-to-day activities of these regions, and also part of the basic problem. Lorentzen, while discussing the conceptual aspects of the periphery, takes on a discussion of development potential in 'new' economic orientations, where any eventual success is clearly related to what type/category of peripherality we are talking about. Crone exemplifies with a concept of 'islands of accessible semi-periphery', special 'resource' bases

developing new economic potentials based on unique local preconditions. At the same time this potential is realised, complementary to the existing modes of living and not only just indicating potential, as the combined need for change and preservation. Both then imply possible conflicts and unknown results.

Although a quite unique phenomenon, the domicile principle in Norway highlights the complexity of causality in any settlement system. Arnesen and Mönness identify the legal demand of settling for a five-year period as conditional when taking over ownership of farmland. This fact and its impacts on long-term behaviour, i.e. more or less permanent residence, are studied with innovative methods. It offers some expected and unexpected results with no remarkable impacts of this seemingly substantial obstacle found.

Callaghan, Danson and Whittam take up the basic relation between the nature of forms of ownership, as preconditions for economic development, and settlement patterns. The consequences of community buy-outs of land from large, often absentee, landowners has resulted in collective and cooperative initiatives as to settlement upgrading and long-term development projects and plans, with quite far-reaching and sustainable consequences.

Arnesen, together with Overvåg, Ericson and Skjeggedal, approaches settlement issues from another angle as well. A notion of urban recreational sprawl meets some dimensions of the periphery in the appearance of what the authors call *multi-house homes*. This summarises tendencies in categorised (distance for recreational commuting) areas like flexible working arrangements, a prosperous economy and growth in mobility. It teaches us, among other things, that long-term settlement patterns cannot be taken for granted and that this 'new' trend changes localised settlement patterns and socio-cultural interactions in the periphery.

The counter-position of the processes of the local in the global has many profiles, among them raising the case of the political entrepreneur. This special category defines the entrepreneur in the political-administrative sector, with a noticeable and sometimes profound impact on and in sparsely populated areas. Against the background of general 'negative' trends, tendencies and consequences, a picture is painted by Granqvist, turning disadvantages into advantages. The author focuses on a border region case as a special problem but concentrates on its positive potential. In the nexus of this chapter stand the idea, concept and practice of political entrepreneurship. A discussion of what makes him/her tick, outside of 'business as usual', ensues. The room for entrepreneurship in the periphery is one analytical entrance approached with the narrative as method. Looking at the periphery for what it is, instead of what it is not.

Indirectly relevant for the scope of focusing on the empirical side of the contributions to the anthology, we find Herrschel's identification of a composite 'on-the-edge' and 'in-betweenness' peripherality challenging the former approach to new endeavours and achieving a more substantive ambition, with great possibilities.

Recurring theoretical themes and elaborations which we have found and, which are in need for further development in the future, are:

- The self-evident fact that peripherality is not an absolute. There are degrees and dimensions of peripherality. The analytical consequence seems to enter into each and every variable studied and as an outcome on its own.
- The fact that the periphery is still inhabited and 'active' in many ways is analogous to the bumblebee which is not supposed to be able to fly.
- Peripheral does quite often interact conceptually with rural. There is a clear need to specify how and where this does and does not apply and why.
- Investigating the periphery, we find relative emptiness and 'end-of-the line' phenomena needing theoretical and methodological exploration. Uninhabited does not mean inactive, or not utilised.
- The periphery appears to its advantage when the urban pushes activities and processes away. Processes of counter-urbanisation should be studied more thoroughly. We are, however, not talking about leftovers or state decentralisation activities only.
- There is variation in the nature of the pros and cons of geographical proximity in different spatial settings.
- To analyse the periphery by itself as a positive, rather than in its negative.

The clear potential of this angle of research is in contributing to present mainline orientations in several fields like entrepreneurship, innovation and social economic aspects, just to mention a few.

One of the authors, Syrett, has focussed on the conceptual and theoretical elaboration around the concepts of 'margin' and 'marginalisation'. At the stage where he elaborates issues linking these concepts with boundaries and borders we find some interesting implications and a natural bridge over to the next section. The notion that the terms/concepts approached by him 'relate particularly to borders, boundaries and frontiers and their temporal development within various territorial units' are well argued and worth returning to. His notion that eliminating distance-to-centre effects, by constituting a focus for economic, social and cultural interaction, are processes indicated in the upcoming discussion.

From the periphery over the border/boundary, or ...

The basic idea here is that, whatever the geographical entity, the geography that is located the furthest, spatially and functionally, from the centre is the periphery and it includes in its limits a border/boundary. An interesting dimension is that a geographical definition automatically defines its borders, borderline, outer perimeters of a geographical and functional space. The area could also be seen as a complementary dimension needed for the description of the latter. In the definition of an area there are, as a basis, important societal processes operating which close the analytical gap between periphery and margin.

This appears in the distinction between different types of peripheries, or in the periphery's delimitation from geographies with other characteristics. The idea of this section is to conceptually disaggregate the borders with regard to attributes or characteristics that define them into systems or regarding specific characteristics

(elements or subsystems) relevant for the theme. It is possible to think about different types of peripheries directly found in this class. In the dictionary of the Swedish Academy the synonyms mentioned are ‘outer’, ‘in the surroundings’ and ‘outskirts’. There is more of a geographical substance in the interpretation of this, to make a distinction from marginal, and in this way there is a clear definition of the word ‘boundary’, both in a more functional and physical/geographical sense. The definition of a border area does, only indirectly and complementarily, include aspects of peripherality. Terms with more or less negative connotations, such as ‘edges’ and ‘peripheries’ (synonymous with underdevelopment, lack of stability and exposure to external dangers) are used frequently and carry a symbol of borders and/or frontiers, and of remote outskirts, or as outlying – and usually fragmented – territories with obliterated features, units dependent on the policies of the pivotal power in the centre.¹

Marginal and margins could be used both as synonyms but also as carrying a more complex meaning of outskirts, on the outer edge related to a centre of some sort. The basic interpretation or utilisation of them is in relation to people, individuals or groups, and their relation to majorities, dominant groups. In the former meaning we have an interpretation of outer boundaries. *Margins* are the products, and defined by the core, but exist in a two-way relation with it, primarily in its role as a power-centre.

Both peripheries and margins interact with the border issues, creating unique constellations of functions and areas, i.e., the periphery and margin take on a special nature. Analytically, peripheral and marginal border areas and functions will, probably, share some specific aspects with each other, presenting a subset of peripherality and marginality.

Defining ‘borders’, presenting some methodological starting-points

Here will be outlined a definitional exercise.² Any definitional approach carries a number of necessary preconditions. The degree of complexity is, in itself, defined by the problem area. This is especially apparent when it needs and encompasses the major part of the known and utilised methodology. So, the argument and process will finish in a full circle, the result will be defined by the result.

We will shortly start out with a small venture into the field of language-defined differences, where some examples will be found. Note will be made of fundamental differences in meaning, which have an impact on the practical-analytical work. The objective is a frame-of-reference for a future conceptual development. After that we venture into a description of different characteristics that could pertain to a border, the way to present these, and from this we continue into some issues of substance and utilisation.

We recognise as a starting-point that the content of the concept is a ‘moving target’ and that more classical definitional approaches have, in that regard, become obsolete (Jönsson, 2007). It has to *appear* in one form or another. It has to mean something and ‘meaning’ appears in relation to interests, actors, etc.

Appearances, in turn, can take place in a great number of different systems and forms. The border-line (pending definitions in the coming sections) is both an effect and a cause. The beginning here is, naturally, that borders are products of political, economic, cultural and social processes and contexts. The essence of the argument is that a border is nothing without its logic, the reason behind its appearance and the reason why it is still maintained, the ways of legitimising it, and the activities that this implies.

The moving target also includes the distinction of their simultaneous *static and dynamic* character. It is worth noting, for theoretical considerations, that the world of geography and all of its ingredients, i.e. geographical entities and their delimitations, are in a constant flux. This is simple and self-evident but anyhow of crucial importance. A border is, from an analytical viewpoint, primarily a process. Boundaries will be understood not merely as static lines but as sets of practices and discourses. This static state is only used as a tool for observation, as dynamic aspects, in all their complexity, are impossible to handle analytically. In the common approach to border phenomena and among the richness of case studies and descriptions, the methodological obstacle of freezing a moment in order to see the line as border, can partly be avoided if we focus on the moment in a continuum, i.e. identifying the eventual flows leading up to it, identifying the flows emanating from it. The uniqueness of every contextual flow is what is sought. Similarities in the flows compensates for uniqueness in the situation. The problem of generalisation, with caveats attached, relates to a rough picture of these processes. But not only that, through time, the status of specific borders, but also the concept of border in itself, will change.³

In the upcoming discussion of the relation between static and dynamic approaches in the analysis, the discussion will also bring us into a complex *voluntaristic* approach that refers to ambitions and willpower as analytical dimensions. Could it be that, given certain contextual elements, borders are more or less prone to one or the other, i.e. in short, there is a clear difference in the pace of change, but the difference always lies in the interaction between the border and its situation, contextual change. The dynamic or static approaches are highly charged with political meaning and interpretation. Boundaries as such not only change continuously but will also, at every given point in time, mean different things for different people: for the spectators, researchers, commentators, observers, but also for all involved, i.e. politicians, business people, military personnel, custom officers, backpackers. In all, a constant tumultuous interpretation with different rules and results, i.e., actions and reactions with, direct and indirect, impacts on the status. This leads us into the extended analytical impact of the catch-all concept of globalisation and is approached, inter alia, by Castells, simultaneously opening another intellectual door to aspects of power and control. Castells' (1999) monumental work has promoted the idea of a network society, where geographical borders are reduced in importance. Power will rest in the flows of the network society. Several authors have also declared the end of the nation state and the end of geography.

Definitions

Let us start out with the ‘simplest’ definitional exercise. When one looks for the word *boundary* or *border* in an encyclopedia one will usually find something like ‘a line based on principles of international law, *enclosing* (surrounding) the area where a state executes its sovereignty’. A possible alternative approach is based on demographic variables:

Terms for borders, boundaries and frontiers exist in all languages to signify the limits of social groups, but their connotations differ widely across cultures and through time.

(Anderson and O’Dowd, 1999: 594)

Among the numerous ways of approaching it, the definitions discussing contexts highlight the complexity:

A boundary is eventually nothing, a double ending, a line without a surface. The boundary as such is therefore quite uninteresting, the interesting thing is its effects on the surroundings and the conditions for its appearance ... effects of human activity in relation to boundaries that interests.

(Lundén, 2002: 12, our translation)

Another definitional approach is based on the emphasis in modern scientific literature focussing on ‘real-world’ cases/examples. This has to contend with the, sometimes, futile search for comparativeness and interconnections between different delimitations on different scales and with different impact.

Border, boundary, frontier, delimitation – the number of relevant and related terms, within the Anglo-Saxon language group, is quite extensive.⁴ The terms that will be considered here are: *border*, *frontier*, *boundary*. These are the ones most frequently used in English. It seems that the terms boundary and border are sometimes used indiscriminately, often also described as synonymous. At the same time, there are nuances in their utilisation. There is a tendency to use boundary for the line and border for an area parallel to the border. ‘A border is that part of a surface lying along its boundary line ... Border thus seems to have more of an area meaning than boundary, which means the line only’ (Lundén, 2006: 6–7). In American English, the word border usually denotes a dividing line, while the area around this line would be called the borderland. ‘Border’ as ‘frontier area’ or ‘zone’ is a meaning which merges into ‘border region’.

Frontier normally indicates the broadest use among the terms, most often a zone or region in itself, while, as said, boundary indicates the line, while border, in general terms, falls somewhere in between. The term *frontier* is, however, most often used in the meaning of an area situated where an expansion is taking place, into the unknown, uncharted and uninhabited. The popularity of the term used in other contexts as, for example, ‘frontiers of science’ brings the idea of the unknown functional territories and the metaphor of an *act of colonisation*/

penetration. Frontiers are sometimes also given a meaning of zones of transition, cultural realms being examples of this. There is a distinction in that context between frontiers and boundaries in that a cultural frontier is often traversed by political boundaries which sometimes obscures the transitional nature of the frontier region (Glassner, 1996: 83). The notion of '*frontier*' has also a pro-active (and sometimes defensive) connotation of an area that needs something done with regard to what lies beyond (Parker, 1998).

Characteristics

There are different ways to introduce the definitional category of characteristics. These can appear as phenomena within a continuum from hard and material to soft and immaterial. They could be ranged in spatial scales/hierarchies. Other hierarchies, also plausible, are resource-related, status-related, etc. They could also be distinguished on the basis of their form and where/how (geography) they appear. If one has the opportunity to travel around the world, it is possible to find a large variety of different physical border constructions, from a simple gap in the wood, via fences, barbed wire, walls, mine corridors, etc. What can be approached, as is described above, is a result of different elaborations; among these, technical and other appearances could be included. Another approach within boundary-related effects are differences in railway gauges; or estimates of border locations and in this latter category we find boundaries in rivers and borders in the sea. We can also see categories based on supposed scientific and historical observations, plebiscites, etc.

A special, and most important, analytical entrance in the process, rather than static, approaches is the notion of the permeability of the border. What should be of interest here is the degree of permeability:

Borders are filters with highly variable degrees of permeability or porosity; and border regions are peripheries of infiltration, transition or separation, defences for the supposed 'purity' of the 'centre'.

(Anderson and O'Dowd, 1999: 596)

... and analytically the reasons for this permeability ...

Territorial borders both shape and are shaped by what they contain, and what crosses or is prevented from crossing them.

(Anderson and O'Dowd, 1999: 594)

... and, of course, that this appears with varying impact on different factors.

Returning to the characteristics in general, they could be described in words, maps, etc. The map, as a model of reality, describing natural and cultural phenomena on a two-dimensional basis, reducing it to fit the human eye, is a good example. The purpose of the map is to present one or more variables or characteristics at a time to make the human mind able to handle the information load.

Boundaries are a dominating feature or variable in the political version. They appear on the map like thin lines showing the geographical extent of, for example, the sovereignty of a state. The fact is that the line is a vertical plane that cuts through space and earth (Glassner, 1996). There is no general agreement as to how far down or up that plane is going. It could be just a line but could also extend to a corridor or similar geographical configuration.

It is possible to grade a characteristic of hardness through ocular inspection, documentation, pictures, photos and films (when not prohibited). There is a tremendous amount of fiction and documentary fiction, pictures, films, music related to borders, and border populations that contributes to the image.

The border – probably more correctly, in this respect, a transitional zone – appears in this context as a demarcation of the extent of the appearance, the limit of a specific cultural expression. The complexity of the demarcation, analysis or cartographic presentations seems self-evident, although the efforts made through centuries have, in themselves, become, through narratives, symbolic values etc, hardened to myths, even history, defining identity. This happens in spite of the eventual porosity and permeability in the defined delimitations and the unclearness of distinctions in the different factors. Fragments or systems of construction defined in historical categories introduce material and immaterial patterns into the analysis of the present and potential futures. These patterns act both as limitations and potentials. These same fragments and systems appear – with an interest-based logic, through instruments like the educational system, the third estate and traditions – deeply embedded in different communities. But also, in an alternative logic, where stateless nations or other defined groups attempt to ‘defend’ or ‘recreate’ their territory through a re-definition or a constitution of historically described ethnic borders basing themselves either on historical memories of statehood, or on the diffusion of some ethnic marker(s), usually language or religion (Conversi, 1997: 329–30). It is supposed to represent an enduring expressive aspect of culture which is handed down from generation to generation. Other markers are used in the same way but do not have the same strategic or catalytic effect.

Functionality, substance and substantiation

What constitutes a representation of the substance of a boundary or border? There has to be a defined, recognised basis for the delimitation and the territory or the function it defines. This could, indeed should, be possible to identify outside of the proposition (interests) that ‘use’ it. Identification in this case does not necessarily mean acceptance, but does mean ‘understanding’. Different discourses compete over the right of interpretation but there could and should be some agreement on what the fight is all about. Giving terms *substance* will take the writer and reader in many different directions and give the approach to the term many angles and interpretations; an interesting one of substance is the importance of experience.

A substantiated way to approach the term(s) is to identify what it is supposed to delimit, what it is a border of or to. As soon as we put national, regional, etc., we

have a simultaneous geographical and functional distinction. It could be mapped, described, built. There is an obvious need, in a phase of this exercise, to exploit the existence of defined territorial entities as a specific analytical tool, introducing it into the definition. Often efforts in this direction start out in the more abstract terms of 'territory' and 'region', dealing with more generalised aspects of this problem area. There is a need to give some of the delimited geographical entities names,⁵ i.e. the spatial entity in itself has an important impact (Anderson and O'Dowd, 1999).

The analysis will not be complete if we do not, at some stage, introduce actors, who define the processes, networks and delimitations and are able to change them (Gidlund and Karlsson, 1997). Defining the substance of the entity could also be approached from other angles, one of the more important and defining ones is the processes of interaction with the environment.

Another approach of substance or substantiation is through the phenomena which define borders. For example, natural or physical boundaries are taken for granted in more simplified, popular variants, especially when features appear in such forms that make their divisionary character, more or less, self-evident. The term 'natural border' has been a dominating defining ingredient in historical times, whenever deciding or coming to terms in border agreements (Gidlund and Karlsson, 1997). Returning to nature's natural borders, there have been considerations of military aspects of defensible positions. This relevance has successively disappeared in connection with technological developments. The complication lies in the interpretation of these former barriers. The natural boundary has to be defined by a degree of acceptance and in that case where there is acceptance, they become a, *de facto*, border-defining phenomena. Physical phenomenon most frequently considered are mountain ranges, rivers, watersheds, valleys, waters.

What we have in this section is also a quite profound approach where the identity or identification stands somewhere between the formality of legislation, constitutions and technical constructs at one end to the somewhat weaker agreements and contracts, sometimes upheld by a legal framework, at the other. A complex area of rules and regulations through to non-written norms and traditions further on to a, somewhat diffuse, polarity where taken-for-granted behaviour within and outside of the formal system still defines it.⁶ Sometimes the formal and informal coincide, whatever the time-span. However, the formal could change by decree, abolition, demolition (the Iron Curtain) and new territories could be defined. Decrees, however, cannot touch the informal by any other formula than accepting them. This is quite a problem as these – the informal – are continuously moving, changing and their degree of permeability varying (Gidlund and Karlsson, 1997). The formality could also appear as a kind of ideological burden, where old, non-democratic, regimes, legacies are not palatable for new standards. Further examples are easy to find.⁷ The construction of the informal could be represented by a nice mixture of everything from historical legacies to economic necessities or interests. The conflict between new democratic ambitions sought for within the realms of old functional and geographical structures is a possibility already mentioned (Anderson and O'Dowd, 1999: 596).

What is intended in this approach is to catch something of the meaning and culture in the word ‘experience’, something captured in a saying like ‘they felt they passed a line of no return’ to feel a difference, a change based on a geographical or functional relocation. The meanings attached to boundaries are often expressions of real or experienced (read ‘imagined’ below) change and/or of phenomena passed through various ingrained *schemata* of ideologies and rhetoric of power. The most manifest forms of these are presented by members of different elites, often with conflicting aims with regard to a specific boundary (Paasi, 2003). There are producers and consumers of meaning often appearing in the same person. The experience and meaning followed here is created from the conceptions of individuals and groups about an ideal order and the actions that at the same time both includes and presupposes this imagined world. The creation (formation) of identity therefore always includes a gathering around certain basic and common values and symbols (Pirotte, 2002). ‘Imagined’ is a certain form of experience, although a weaker one. This word has, however, been given a developed meaning, when discussed in connection with nationalism as an *imagined* society (Anderson, 1993). The ‘experienced’ through reality to be ‘imagined’ takes all shapes and forms. There are numerous examples of where fictitious boundaries are found on maps, but not in the real world (Glassner, 1996: 89). This digression directs us to focus on the cultural, because by nature of its substance it often appears as manifestations of others – a shortcut. The meanings can, for example, include values, beliefs, practices, and ideas about religion, language, family, gender, sexuality and other important identities. Culture is, in every instant, open to change as the above-mentioned variables are formed in a continuous process of re-evaluation and re-definition. Most frequent of those mentioned in the multivariate category is ethnicity, defined by specific ethnical markers like language and religion, which can also act as categories on their own. It is culture in itself that is manifested in a ‘territorial’ identity. Social and economic structures and processes set the framework for long- or short-term cultural definitions. They are created thought patterns that are defined individually, although their collective tendency can analytically be roughly decided or prognosticated.⁸

Utilisation: a kind of functionalism

The starting-point here is based on what is mentioned above: borders are products of political, economic, cultural and social processes and administrative fiat. The essence is that a border is nothing without its logic,⁹ its reason to come about and the reason why it is still maintained by the way of legitimising it and the activities that this implies. Borders are said to be a *sine qua non* for the political entities: ‘opposition between domestic and foreign affairs ... boundaries of political and social processes’ (Paasi, 2003: 464). The eventual disappearance of borders carries their own dysfunctional logic/legitimation. So what is taking place is the definition of a range of outcomes of different types and potentials of utilisation: what borders contain and what does and does not cross; what happens at the border is a way of defining it. Negative categories of actions are easy to find, as the literature is, more or less, focused on conflicts.

When elaborating this thematic approach, the identification of *who* is going to utilise (read ‘control’, ‘regulate’) the boundary makes the picture clearer and more down-to-earth. When discussing the border as a politician, political refugee, or when business people etc. observe it, their view is focused on its political and economic materialisation. It is also natural to accept the fact that different members, strata or fractions of the elite can often have conflicting ambitions with regard to boundaries. During the lifespan of the identified variable or ingredient, it carries different characteristics which analytically should be dissected one by one, in context and in contact (in cooperation and conflict). Differences in what we describe as political systems, or changes within, are also important to note and, by the same way of reasoning, is relative through time. What changes are the individuals and institutional *actors* – their affiliations, their positions and roles (their networks – loyalties) their resources, their channels and their methods. Power is resource-based both geographically and functionally – the geographical analysis depending upon scale. The share of power held by different individuals, strata, classes, professional groups, ethnic, racial or religious groups varies. Individuals or groups who are relatively powerful with respect to one kind of activity may be relatively weak with respect to another. It is of importance to note that both the general and contextual definition of power will sometimes reduce the importance of geographical delimitations or boundaries as such. That is, power has a tendency of trickling out, in or over the boundary.

A further example, although generally defined with less direct impact than the political variable, is *economic* factors having both direct and indirect consequences. An interesting distinction, noted by Anderson and O’Dowd (1999: 596–7) is if the border has economic consequences or if economics are the defining factor of the border. In any event, there are many different border regimes and combinations of such. If we look at the generation and development of income, growth and welfare in a given territory, the way the borders have an impact on the internal processes and, then again on the interconnections with the surrounding world, is of essence.

So borders can negatively affect regional economies by splitting economic catchment areas and by increasing transaction costs. Tariffs, differences in language and customs, the inability of public contracts and ‘official traffic’ to cross the boundary, and actual or potential political instability or military conflict, can all inhibit cross-border trade and production.

(Anderson and O’Dowd, 1999: 597)

... via identities and social construction

This brings us straight into one of the main fields of study and contention – that of ‘*identity*’.¹⁰ The most common definition of the word identity found in encyclopaedias is ‘awareness of one’s own existence’. However, it is difficult, possibly impossible, to define the term as its contents are part of its determination and result of the processes of identification and participation (Cherni, 2002). Any individual

can be identified with groups at different levels in the spatial and functional scale, family, gang, clan, organisation, ethnic group, religious community, statehood, cultural sphere. It is a kind of analytical highway in this problem. The experience of 'we', approached here, is more linked to emotions than rational considerations and expresses itself in a feeling to be part of, or belonging to, a specific collective, while others belong outside. A special variant of defining it is something we provisionally can call 'identity negation', which in the present context means the process of societal elimination of individual and collective identities. The primary idea is, of course, replacement – 'I am not like one of those' – but the important questions returns – with what? The organised elimination could be part of general political ambitions on the basis of 'who gets what, when and how'.

What we have focused on so far is the 'I' and the 'we' and, more or less, neglected the important dimension, especially when we talk about border, of 'they' and 'them'. This opens the door to one of the more intricate, morally and politically sensitive mechanisms of identity formation, most prominently discussed in the scientific literature. The individual identity is, partly or intermittently a reflection of a collective at the same time as it contributes to the formation of the collective. The basic proposition reads that a presence of 'others' has a catalytic function in defining the 'we'. It is a necessity and a frame of reference but it only outlines the 'we'. It does not, at least not on a general level of analysis, automatically fill it with any content. We are not them! We and they ... the other¹¹ ... the link is to the experience of identity via uniqueness. An author often referred to is Fredrik Barth (1969). He discussed, in this much quoted article and in a later commentary, how ethnicity is formed and how it creates and maintains boundaries.

The picture/image of a place is an idea, a mental projection. The place stretches as far as this, and individual change or changes (growing up) include new, and extended, territory. Territories and institutions condition collectives and distinguish identities. Alternative aspects like place of work, the football team, show an alternate geography. Regarding the neighbouring community, is it us or is it where 'they' take over? Is the definition of 'they' moved as your knowledge and/or compassion extends? Where are the 'fault' lines? What happens in relation to the closest areas and then those next to these? Why is it sometimes that the closest neighbouring village is the one that creates the highest degree of animosity, while villages at a greater distance are more or less marked by a certain level of indifference?

Benedict Andersson (1993) made a distinction between existing territories and territorial projects or 'imagined communities', which could be quite numerous and cover the same territories (Gidlund and Karlsson, 1997). To shape and create new images or, taken further, to make these into territorial projects and finally into existing defined and/or accepted territories, is part of the project of delimitation. The level of these abstractions could be discussed in full with remarkable varieties of substantiation and characteristics used as tools in the process.

This description and argument lead to strengthening the process of creating or enforcing a specific 'we' – or, with a similar result, a product of a process enacted by 'them'. 'They' may be a definition in quite normal, day-to-day gatherings of

football or similar activities. It could also be the spontaneous or systematically planned construction of ethnic identities where markers, symbols etc. are used: the defined territory, one of the most prominent markers, something that is ours, using the idea, the image of the territory strengthening the outer limit, the centre-piece, the nucleus. The question is raised whether this identity or the mixture of the identities conforms to a territorial approach. Paasi (1999) is quite emphatic in stating that there is no such idea as a general 'national identity'; what is presented as national identities are quite unique and context-determined constellations, both in substance and in form.

Returning to the main theme

Resting comfortably in the excursion into the substantiation of peripheries and margins, via their aspect or appearance in border- and boundary-defined contexts, it is now time to return to an outline of where we stand and where to go in the future intellectual adventure. The example of a counterfactual approach has shown itself a legitimate area for research; rather than a simple adoption of core values, strategies and policies. Theory and practice based on the dominant agglomeration economies paradigm in particular are not always appropriate for these peripheral and marginal regions, and a forum for debate and discussion with regional studies on a different agenda is required.

An exploration of alternatives for the periphery or margin should be pursued further and requires new, extended and appropriate research developed in and of these regions. Following from this, there is a need for regions which are peripheral and marginal in both geographical and functional terms to participate in the establishment of their own research agenda rather than to adopt core priorities and scientific approaches.

Social capital within (bonding) and between (bridging) research communities can be especially important in allaying some of the above effects but, whilst many are orientated between core and periphery, more needs to be done to promote active links within the community of researchers in the peripheral and marginal regions in a geographically extended network. Networking and partnerships between academics, practitioners and policymakers in these regions would allow learning and more effective dissemination of theories, practice and analysis within their arc of commonality. There is a clear issue of the need for an increase in the actual volume of empirical research with a special agenda for comparative analysis. This would create a firm foundation to the tentative suggestions and directions presented in this volume.

Notes

- 1 The case of the functional centre not being in the geographical centre is noted but not elaborated upon.
- 2 When trying to define and elaborate the terms encountered, it is fascinating to find that the etymological background to the word define comes from the Latin word *definire* (delimit) which is developed from the Latin word *finis* (end or border).

- 3 In some cases the rights of the sovereign national state have been questioned in formal terms by the authority of the UN, and sometimes without it.
- 4 Outside of this group there is also a profusion of words and terms with different etymological backgrounds and relevance for the theme covered. The exercise could also be brought into the realms of other languages and language groups.
- 5 In itself a strategy of substantiation.
- 6 We will not drown in the whole complexity of in-between discussions. This has to be returned to in the future. The polarity is, in itself, of primary interest.
- 7 This extension is natural when it is supported by an empirical survey of an extensive number of cases.
- 8 The theoretical, methodological strength of this should naturally be validated in an empirical exercise.
- 9 A fascinating source in this category is a somewhat dated atlas of territorial and border disputes (Downing, 1980).
- 10 The creation of identity 'indicates' a mobilisation around certain basic and common values – sub-symbols. Different categories of those carry different connotations. There is a fundamental role of recognition and, through this belonging. The role of the symbol is to legitimate and reinforce a status quo or a reinstatement or projection of the past, sometimes a mythical one, to a wished-for status. The role of the symbols is also reflected in personalised or group role-defined activities, values, identities, privileges and so on in every specific place and time (Paasi, 1991: 245). The symbols appear in hierarchies of importance and/or impact. Spatiality enters through the backdoor and as a kind of sorting ground, and ends up with a more explicit definition of 'we' and 'them'.
- 11 A remarkable intellectual adventure could be found in the late Edward Said's (1979) extensive work in the field.

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