



# Endogenous Development: Role of Territorial Capital in Rural Areas

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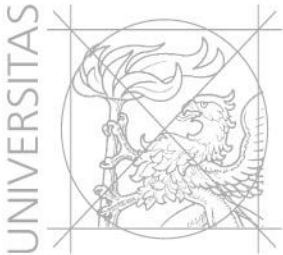
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# Structure of presentation

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



# Short review of main processes of Hungarian countryside

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



# Change of rural functions

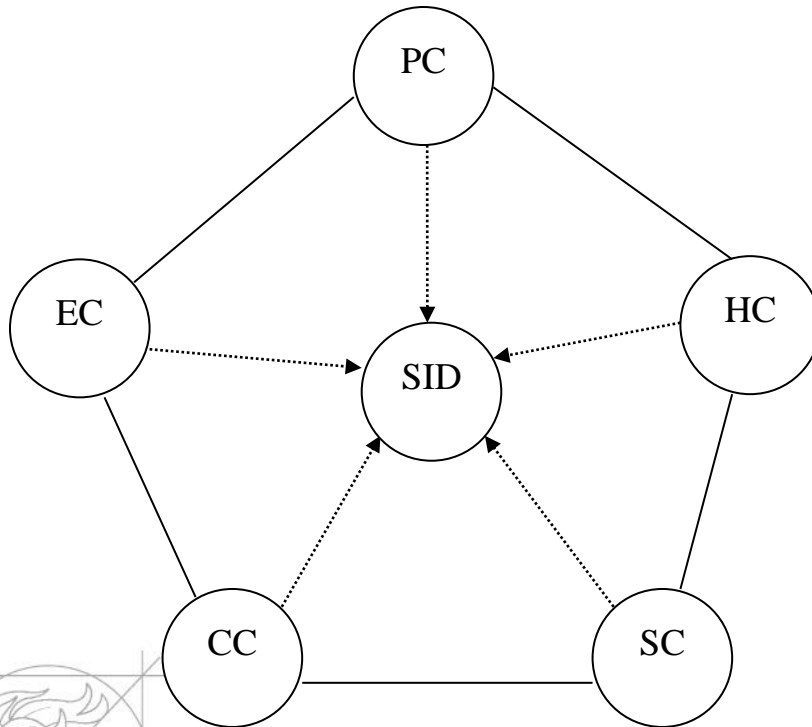
- OECD (2006) confirms that nowadays rural areas face general challenges.
- OECD (2006) introduces a **new rural paradigm**,
  - focus on places rather than sectors and
  - stresses investments rather than subsidies
- These key orientations are the result of at least three factors that have **great influence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

# Theory of endogenous development

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



# Sustainable regional development

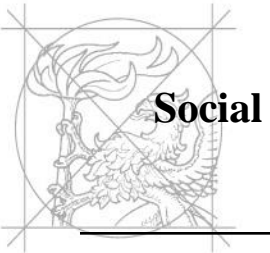


- The availability of productive capital (PC)
- The presence of human capital (HC)
- The access to social capital (SC)
- The usage of creative capital (CC)
- The existence of ecological capital (EC)



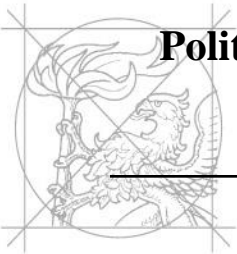
# The Seven forms of Capital recognised by Asset Based Community Development

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



# The Seven forms of Capital recognised by Asset Based Community Development

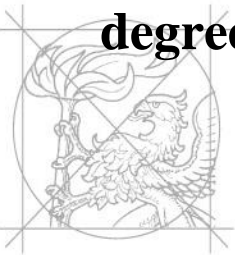
<i>Capital</i>	<i>Definition</i>	<i>Examples in rural context</i>
<b>Human</b>	People's health, knowledge, skills and motivation. Enhancing human capital can be achieved through health services, education and training.	Health levels less variable in an EU context. Education levels very much generational.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





# Territorial capital

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



# Territorial capital

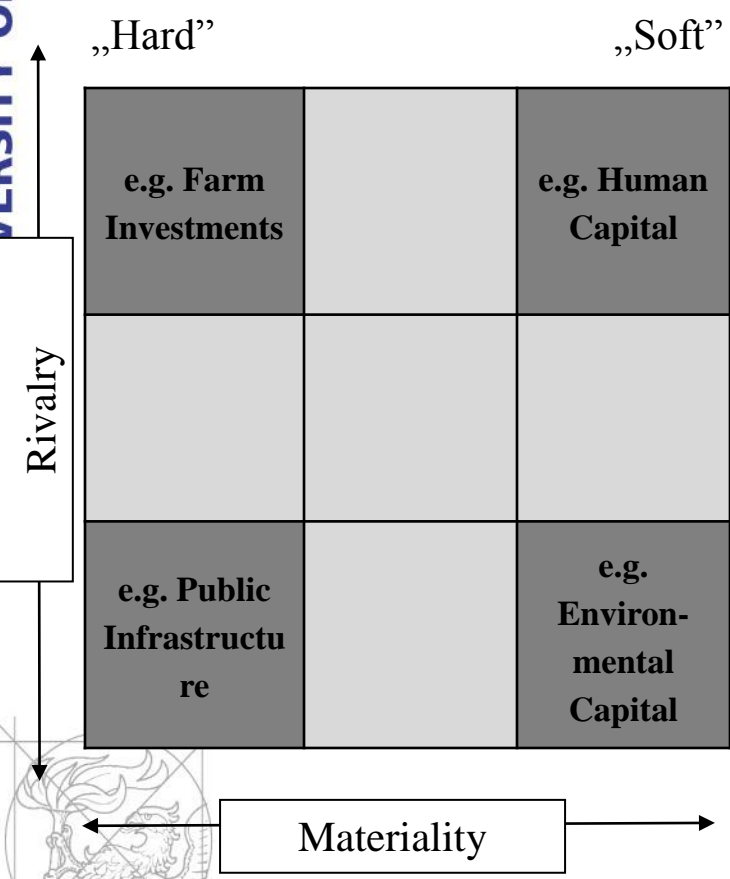
## Rivalry



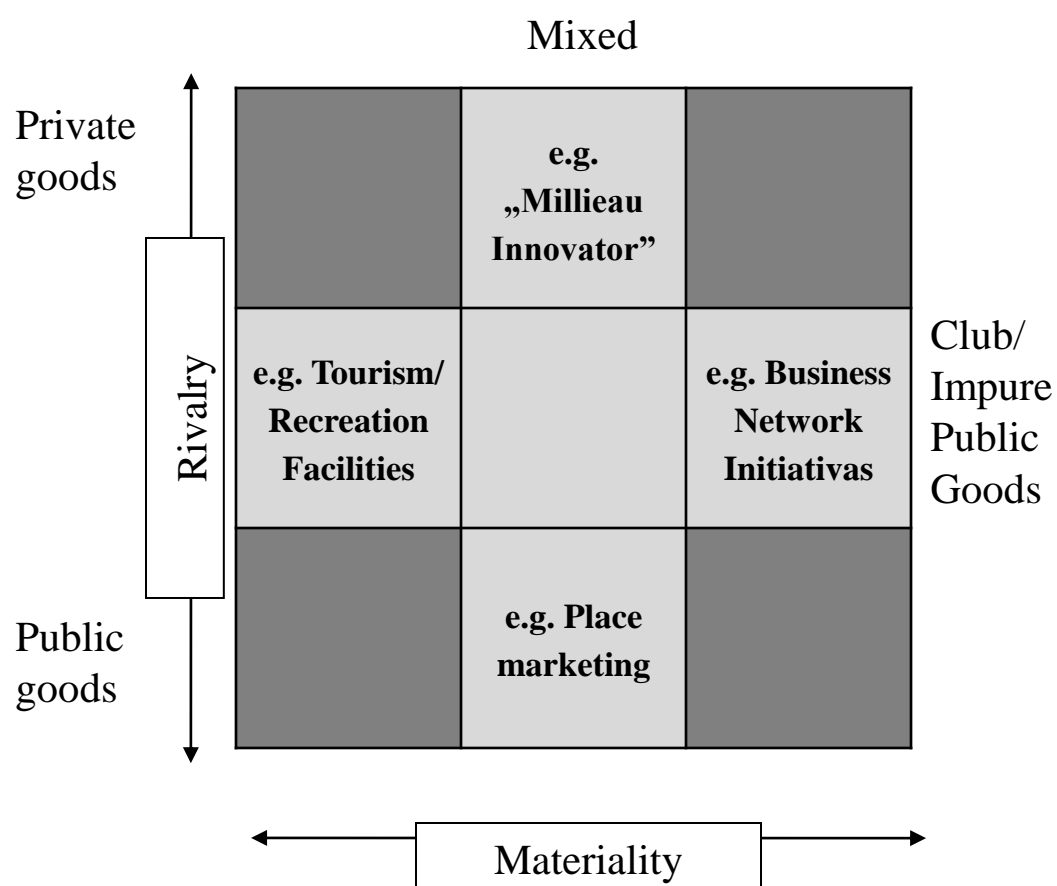
<p><b>High rivalry</b> (private goods)</p> <p>(club goods)</p> <p>(impure public goods)</p> <p>(public goods)</p> <p><b>Low rivalry</b></p>	<p>Private fixed capital stock</p> <p>Pecuniary externalities (hard)</p> <p>Toll goods (excludable)</p> <p style="text-align: right;">c</p>	<p>Relational private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

## Materiality

# Application of Camagni Territorial Capital Framework in a rural policy context



**The traditional square**



**The innovative cross**

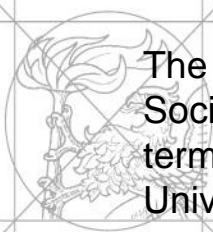
# Summary

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



# Thank you for your attention!

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