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Leaving Rurality Behind

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The paper will address the changing status of rural regions in policy formation in Sweden. Two basic processes are at work. First, decades of out-migration have given many rural regions a demographic structure, which is causing a self-propelling de-population. Secondly, the internationalisation of the economy and of politics has drawn the attention from the idea of nationwide welfare towards efforts to increase economic growth on a national basis. Regional policy is gradually shifting focus towards concepts and measures that are aiming at supporting dynamic growth regions. The new economic geography forms the basis for an “urbanised” regional policy: economies of scale, regional specialisation and the enlargement of labour market regions are key concepts in the spatial policies. Hence, the problems of marginalisation and decline in the periphery as well as the specific opportunities of vital rural areas are vanishing in politics and planning as the “rural development system” and the “rural dimension” is being phased-out from the conception of space.

On a European level a trend of re-territorialisation within rural development has been recognised (e.g. Ray 2001). It represents, simultaneously, a process of atomisation and of increasingly complex connectivity between places. Local action groups, Local Authorities, development agencies etc are progressively involved in projects and activities that create their own spatial formations. The process is supported by decentralisation of national political-administrative systems and of the approach to rural development taken by the European Commission. EU policies are dividing the territory in new ways and sometimes explicitly aiming at creating new regions based on for instance a single funding framework (i.e. the Leader programme, Larsson 2002). The initiating factors for the emergence of a new region can be primarily endogenous or they can be to any extent external. Moreover, the new regions can be mainly stemming from increased pressure for changes or from emerging opportunities.

When the spatial formation is based on everyday practice or negotiations, it may have the ability to create a functional region, able to carry out that specific activity. The local action group, the single enterprise and possibly the development agency can use the spatial flexibility to exclude or include actors and activities. For the public sector administrations, which are based on a fixed territory, the same processes are at work. Local Authorities are increasingly involved in co-operations and networking beyond their borders and with varying
spatial formations (Gossas 2003). For the Local Authority the border crossing co-operations may be a way of increasing efficiency by co-operating with neighbours over scarce resources. It can also be a development strategy in order to become more powerful in competition with other regions. In the case of the Local Authority, resting on a spatially defined political mandate and some times also a common tax base, this may raise questions of legitimacy. The complex patterns of networks are arenas for decisions that are ex-territorial and with limited transparency for the citizens.

**Thin regions**

The single region, whether being formed by local activities or decided in negotiations on national or EU levels, must be viewed as part of a dynamic system. It may become increasingly institutionalised or, if vital conditions disappear, re-organised or cease to exist. Although the single “thin region” (Westholm 2001) is fragile as it is based on weak institutional structures, the dynamic character of the system of “thin regions” may hold an adaptive capacity needed in the networking economy. Historically, the formation of regions is a response to certain needs; local and regional borders are normally more intensely crossed at times when new economic activities are emerging (Florén 1998). The ICT and the developing knowledge based economy, exploiting human capabilities, may be seen as the driving force for the change towards a more flexible space.

The flexible character of the “thin regions” indicates a development towards a territorial flux, where regions with various spatial extension are operating in time and space specific “projects”. These regions should not be viewed as forming a mosaic pattern as they are disposed in layers overlapping each other. The single region can be activated in order to solve a specific problem, for instance a road lobby project, based on actors along the road, or a long-term development programme with actors from private, public and voluntary sectors. The existence of thin regions, is thus connected to governance as a way of governing in which the interdependence of organisations is recognized (Stoker 1998).

The concept of “thin regions”, disposed in layers, opens up for a development to take place in any scale and in a variable geometry of regions. There is no lower limit to the scale of a region and it is also recognised that there may be functional regions overlapping or partly overlapping each other. The system is thus built on openness in relation to the nature of development. Ray (2001) argues that the re-territorialisation process could be considered in terms of a “rural development system”. As the system is here described as an open system, not separated from towns and cities it could better be characterized as a development system in general.

This development system is resulting from both political strategy and from economic processes. As a political process it is stemming from the complex fabric of policies being implemented at various levels: in the EU, on national level as well as in the regions and local communities. Common features are the recognition of the endogenous potential of regions, of the importance of organisational relations. Thus, the development systems approach is supported by theories on organisations/management/networks/planning, all in various ways accounting for open networking dynamic systems (see Stenlås 1999, Härkönen 1999, Kahila 1999, Lüttenkötter 1999).

**The new economic geography**

A different conception of space is operating in the so-called new economic geography, developed during the 1990’s in the US and Europe. This research stresses that the process of
globalisation is increasing rather than reducing the impact of location on industrial performance (Lundegvist 2002). The competitive advantages in a global economy are often heavily local, arising from concentrations of highly specialised skills and knowledge, institutions, rivals and customers (Porter 1998). A main feature of this research is that nearness and density is a fundamental prerequisite for economic growth. People and economic activity tend to concentrate in cities and industrial regions. The concentration of economic activity is basically a reflection of the economics of scale, working through the existence of fixed costs, independent of the volumes produced. In order to obtain the volumes, production is drawn towards bigger markets with the results that these markets continue to grow. Without economics of scale the enterprises and plants could have been evenly distributed over space (Dahl et al 2003). The most pronounced message from the new economic geography is that regions with larger population have a more diversified economy and a higher potential for economic growth than small/sparse regions. The number of branches, vital for the dynamics of the economy is correlated to population size.

The new economic geography is also developing beyond neo-classic economics. The knowledge-based economy is built on learning, which takes place in interactions. The learning processes are the results, not only of relations between firms but also between firms and customers, component suppliers and public and private institutions (Lorenzen 2002). Therefore, the content of regional policies must evolve within the region and be based upon a profound knowledge of what its ability or capacity is in relation to those of other regions (Maskell 1997). The potential of geographical density in terms of communication is also founded on the opportunities to build “cultural density”. Close relations between economic entities form the basis for social capital, trust and understanding which all are seen to be crucial components of economic growth (Lorenzen 2002). The “innovations systems” and “regional clusters” are key concepts indicating that the crossing of frontiers between actors is a key to economic growth.

A few policy implications for non-urban areas are following on these economic geography developments. First, specialisation may be necessary in order to obtain the increased number of interactions and thus the learning and growth stimulating processes. Clusters of firms related to each other can build learning networks also in environments where the total number of economic activities is limited (Lorenzen 2002). The spatial clustering as a means to increase competitiveness is well supported in research (Malmberg and Maskell 2002). Second, within the limits of the population size in a region, an increase of the dynamics of the labour market is a way of promoting density. A more fluid labour market gives better job opportunities for the individual and more employees to choose from for the employer. To some extent the breaking of ethnic, gender and class barriers on the labour market can add to the dynamics. The same effect will come from increased mobility of labour between, for instance, public and private sector.

A more powerful effect on the labour market dynamics can be achieved by increasing commuting; regional enlargement is a main recipe for increasing the labour market dynamics. Hence infrastructure investments are often the means in the new economic geography.

Re-orientation of Rural Policy in Sweden

In this paper, the changing geography of rural and regional policies in Sweden over the last few decades is analysed. The two conceptions of space presented above are both possible to trace as discourses influencing rural and regional policies. The “development systems approach”, with a multitude of “thin regions” operating at time and space specific projects,
was promoted by the state in various ways during the 1990’s, after a period when direct state
intervention dominated. The “new economic geography” stressing the importance of density
and nearness has more recently become a cornerstone in Swedish regional politics. As shall be
demonstrated it is part of a turn from a common recognition of the need to care for “the whole
of the nation” towards a focus on dynamic growth regions. Widening gaps between rural and
urban regions are being increasingly accepted, as international competitiveness is becoming
the project of the nation.

Regional policy as a welfare project
Regional policy emerged as a response to the geographic dilemma imposed by the de-
population of rural areas following the concentration and mechanisation of agriculture and
forestry during the 1950’s and 1960’s. The growing sectors of the economy in towns and
cities required labour, which the rural regions had the potential to supply. The problem was
that a nationwide vital economy was an important element of the national identity and also
part of the military defence strategy. It was also a guarantee that natural resources should be
cared for. The regional policy was directed to solve this dilemma by facilitating the
distribution of the industrial growth to the whole of the country.

After the Second World War, the Swedish state increasingly intervened in social and
economic processes. The Social Democratic endeavour aimed at increasing welfare and
equality between households in terms of incomes, access to the labour market, education,
health care, communications etc. In the mid 1980’s Sweden was redistributing 53% of the
income differences, more than any other country in Western Europe (Fuller et al 1997). State
intervention extended far into all policy fields and regulations increased; in physical planning,
in the labour market, in agriculture and forestry, in environmental policy etc. One effect of
these ambitions was that Sweden actually became more spatially equal (Malmberg, B. 2002).
General income transfers and the extensive regional policy made incomes almost the same in
remote rural areas as in the city regions at the end of the 1980’s. As the expansion of the
welfare system created a voluminous public sector it kept unemployment low and paved the
way for women in general to enter the labour market. One of the prerequisites for the
establishment of the intervening state was the well-developed civil society with an
institutional thickness of social movements and interest organisations (Micheletti 1995).

During the 1970’s the regional policy changed the flow of money from being mainly directed
to rural regions towards supporting industries in crisis. Shipbuilding and mining were heavily
supported in various ways in order to survive on the world market. Further, during these
interventionist years the state re-located some 10 000 jobs from Stockholm to 16 towns across
the country. In the 1980’s the focus of the regional policy turned from saving traditional
industries to facilitating the introduction of emerging technologies. These changes were steps
towards a regional policy which was less spatially concerned and more directed to industrial
development.

From re-distribution of incomes to the promotion of economic growth
During the 1990’s the regional policy gradually changed from focussing the rural regions to a
policy for all regions including the cities. Following the recession in the early 1990’s the
welfare system suffered from reductions and was also played down in the regional politics.
Spatial redistribution of incomes gave way for efforts to promote innovations and economic
growth.
The difference between the traditional regional policy and the developmental industrial type of policy that evolved was fundamental. The equalising policy attempting to make regions more like each other was replaced by a developmental policy that could only be justified if it succeeded in making use of spatial differences. Decentralisation was an important element as the endogenous idiom replaced the idea of a top-down rationale. The management of capital accessible for regional development in various state bodies was transferred to the regions. The regional authorities “created” broad partnerships from all sectors to produce “growth programmes”, regional development plans. The programmes were formulated by the regional authorities in co-operation with a number of thematic and sub regional partnerships in the region. They analysed the regional resources/abilities, and assessed the physical infrastructure, natural resources, culture, identity, institutions, etc. Deregulation and privatisation were also to some extent parts of this political transformation. Regional policy became gradually more closely linked to industrial policy.

In rural areas in Sweden there was also a quick expansion of new forms of organisations with social aims outside the public sector, described as the emerging social economy (Westlund and Westerdahl 1998), also recognised by the European Commission (e.g. Olsson 1998). New cooperatives took charge of a number of public services within child care, health care and dental care (Lorendal 1996). Partnerships and networking emerged as key concepts in all discussions of development.

The state and the development system

The decentralisation of policies within the public sector as well as the endogenous elements of programming and funding added to the emergence of a development system with a multitude of regions, based on co-operations and projects. The territorial flux resulting from the various principles of regionalisation was supported by the state in various ways:

* The EU membership 1995. The arrival of the structural funds introduced a number of various “areas” for the programme schemes of Objective 1, 2, Leader, URBAN, Interreg etc. In negotiations with the EU new divisions of space were introduced involving, but also conflicting, the traditional political-administrative organisation (Larsson 2002). The co-financing system forced the Swedish regional and local administrations to cross their borders and become actors in the re-territorialisation process. Especially the Leader programme introduced new regions, which explicitly were constructed to transgress traditional boundaries.

* The decentralisation of regional policy created new regions; groups of Local Authorities made development schemes for their own area, a multitude of regional and sub regional partnerships between the public, the private and voluntary sector were launched (Westholm 1999).

* The state facilitated the development of co-operation between Local Authorities by partly cancelling the “localisation principle” stating that the Local Authority could only act within its territory. The number of co-operation projects between Local Authorities has increased rapidly thereafter (Gossas 2003).

The exit of the rural dimension

In the Governmental proposition on regional policy in 2002 (SOU 2001/2002:04) the “labour market region”, was introduced as the main spatial unit for Swedish regional policy. The labour market regions are functional regions based on actual commuting patterns. A labour
market region consists of a group of Local Authorities each with at least one town or city. In the proposition it was stated that:

“Labour market regions generally consist of rural areas, coastal areas, small towns and cities. These various residential types shall not be seen as isolated from each other since they are mutually dependent.”

The exodus of the rural dimension from the regional policy is a consequence of the strong position of the new economic geography. The emphasis laid on the labour market regions is founded on the view that dynamic labour markets are a key issue in the efforts to increase economic growth. A flexible labour market can facilitate a transfer of labour from economic sectors in decline to expanding economic activities. Thus the enlargement of the labour market regions became an important aim of the regional policy.

The theoretical basis for this policy swing, from the national welfare project to focussing the importance of dynamic growth regions, is the new economic geography stating that economic growth tends to take place in geographically dense clusters in towns and cities. Also Scandinavian economists have recognised the importance of regional clusters and density (e.g. Maskell et al. 1998). The governmental proposition is based on studies concluding that: “economies of scale are the main driving force for investments and regional growth” (Liljeström and Strömqvist 2001).

The new regional policy was implemented alongside a re-organisation of the state apparatus. Three new authorities were created, Swedish Institute for Growth Policy Studies, NUTEK (The National Board for Industrial Development) and Vinnova (Swedish Agency for Innovations Systems). The National Rural Development Agency was left out from the re-organisation, perhaps because the rural dimension was not longer recognised as important in policy and planning.

The three new authorities are now implementing the re-orientation of the regional/industrial policies in order to facilitate economic growth processes in contrast to the “traditional regional policy that supported branches and sectors that were doomed to die” (En liten bok om tillväxt, Swedish Institute for Growth Policy Studies 2002).

In the presentation of the authority the Institute for Growth Policy Studies notice that:

“The more people living in the same place and the more employment that is concentrated to that place, the more efficient will production and adjustments of production become. The settlement pattern is changing slowly because quick changes are expensive and many people want to stay in their home region longer than the dynamics of the production system require. Therefore, in the short run, the enlargement of the labour market regions is the only solution.”

Re-orientation a response to externalities
A few possible explanations to the re-orientation of spatial policy can be identified:

* Globalisation in a broad sense is increasing the international competition between regions and countries. The “national project” has turned to the problem of sustaining economic growth.
* Economic liberalisation and de-regulation is driving policy formation towards market solutions. Less attention is given to structures that are not competitive and to development programmes for rural regions.

* Demographic structure is recognised as a long term obstacle to growth in rural Sweden. Many rural regions are facing a population decline of 30-40 % in 20 years time (Korpi 2003). The age structure of the population indicates severe problems in the future to keep/develop a dynamic labour market. In some rural regions the labour force may not suffice even to serve the needs of local public services like elderly care and child care.

The difficulties to maintain a vital rural economy in many parts of the country are causing conflicts over resources between city regions in the south of Sweden and rural regions in the north. The referendum on the association of Sweden to the EMU in October 2003 revealed an emerging gap. The proportion of “no to EMU-voters”, lined up almost perfectly along the centre-periphery axis.

The marginalisation of rural regions in Sweden, caused by globalisation and international competition and supported by low education levels and unfavourable age structure in rural regions is likely to continue. The exodus of the rural dimension of regional politics and planning express the power of the state to define and organise space in accordance with the policy objectives. The new economic geography is directing the ways for the state to adapt in an efficient manner to the concentration and specialisation demanded by the market. The “slow structures” represented by the existing settlement pattern and the age structure in rural regions may increasingly be considered a problem. Hence, the problems of marginalisation and decline in the periphery as well as the specific opportunities of vital rural areas are vanishing in politics and planning as the existence of a rural development system is being neglected as a conception of space.

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