

CONTEMPORARY FUNCTIONS OF SMALL AND MEDIUM-SIZED TOWNS IN THE RURAL ECONOMY

Eveline van Leeuwen

Introduction

Modern Europe has rural roots, even today, as much as 90 per cent of Europe (EU25) consists of rural areas in which half of the population lives. The different challenges that rural areas face range from restructuring the agricultural sector, remoteness, poor service provision and depopulation to population influx and pressure on the natural environment, particularly in the rural areas close to urban centres. Taking into account the significant changes and challenges in rural areas and the economic and organizational advantages of towns, it can be expected that towns will become increasingly important for (inter)national policy makers, especially related to the decentralization of rural policies.

The aim of this study is to contribute to the understanding of the contemporary function of towns in the rural economy: *How important are small and medium-sized towns to local households and firms. And, how strong are town-hinterland interactions these days?* Apart from showing a general picture of town-hinterland interactions, we will focus more specifically on local households and local firms.

For a large part of the analyses in this thesis, data derived from the European Union research project 'Marketowns' has been used. In this project, the flow of goods, services and labour between firms and households in a sample of 30 small and medium-sized towns in five EU countries has been measured. The participating countries reflect the varied conditions of the both existing and the enlarged European Union, viz. France, Poland, Portugal, the Netherlands, and the UK.

Set-up of the thesis

The study consists of 8 chapters: After the introduction in Chapter 1, in Chapter 2, we describe the theoretical aspects of town and hinterland interactions found in the literature. In addition, a conceptual framework of town-hinterland functions will also be presented. Chapter 3 examines the multifunctionality of towns for local households. It shows, for local households in five

different countries, how important town and hinterland are for shopping, working and living. Furthermore, using regression analysis and a multinomial logit model, this chapter points out important factors affecting the spatial shopping behaviour of households.

Next, in Chapter 4, we provide an overview of the total (macro)economic structure of town and hinterland. Social accounting matrices (SAM), for each of the 30 European towns, are used to estimate the role of local firm networks in the total input and output networks of firms located in town or hinterland. In addition, a SAM multiplier analysis shows the macroeconomic effects of hypothetical shocks on final demand or household income. Then in Chapter 5, we focus more on the tourism sector and its potential importance for the local economy. A meta-analysis is performed on tourism output multipliers to explain the variation in multiplier values, and, finally, tourism multipliers are composed for the six Dutch towns.

In Chapter 6, emphasis is put on households. In this chapter, a spatial microsimulation model for rural households is developed, called SIMtown. This model simulates the total population of Nunspeet and Oudewater (two Dutch towns), including a large number of household characteristics, several of which are relevant to predict the shopping behaviour. These micro-populations are very useful to estimate the effects of different kinds of retail development in Chapter 7. In the second part of Chapter 6, the simulated micro-populations are used to analyse data on the characteristics of households. Such data were previously not available. Then, Chapter 7 combines the micro-approach used in Chapters 3 and 6 with the macro approach from Chapter 4 in order to analyse the effects of future developments. Firstly, the effects of population dynamics (in 2010 and 2020) on total local expenditures are simulated, using SIMtown. Secondly, the effects of new retail developments, such as a new shopping mall at the edge of a town, will be derived, using the simulated population of 2010 and a multinomial logit model. By combining the effects of these developments with SAM retail multipliers, macroeconomic effects will be derived as well. Finally, in Chapter 8, conclusions and policy lessons are drawn.

Conclusions

Important conclusions that can be drawn are that today as well, small and medium-sized towns still have a central function in the regional economy. First of all, the analyses of the multifunctionality of towns to households showed how towns are especially a place where it is possible to obtain pharmaceutical products and health care services, which cannot be acquired in

the hinterland. Also a significant amount of other high-order goods, such as clothes and shoes, are bought in town. Low order products, such as food and groceries, domestic help, as well as hairdressing can often be obtained in the hinterland. Furthermore, it was shown that, on average, the town economy is larger in terms of intraregional monetary flows than the hinterland economy (only in the Netherlands and Portugal is it the other way around). Furthermore, in all 30 towns, the flows from town to hinterland are twice as big as the flows from hinterland to town which illustrates that the central, servicing, function of towns in Europe still continues to exist.

Nevertheless, the importance of towns is different to different actors and in different countries. To households they are particularly important for shopping, and to a lesser extent for working. The towns are most important to households with a low income, and to those that have lived in the local area for a long time. In this respect, it can be concluded that investments in facilities in towns are likely to reach the households who need such investment most. To firms, towns are indispensable as suppliers of labour and in particular for agricultural firms as an input market and for service-related firms as a sales market.

Furthermore, national differences are apparent. In countries like the Netherlands, Poland and Portugal, the central function of towns for hinterland actors is somewhat less strong compared with England and France. A plausible explanation for this is that the network of settlements in these countries is relatively fine-meshed and that both actors and facilities are more evenly distributed over the (rural) area. However, at the same time, in these three countries, the different groups of actors are more strongly connected to each other, resulting in more interaction and higher multiplier effects. This means that, even though in Portugal, Poland and the Netherlands the central function of towns to hinterland actors is less significant and in England and France the interaction between local households and firms is weaker, in all countries towns can be regarded as important to the rural economy and therefore they should be considered as useful tools in rural developments policies.