Rurality: the impact of social capital

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ABSTRACT
Rurality and the development of vital, vibrant and viable rural economies is potentially a major dilemma for the future use of available land in terms of loss of the productive heart of an economy. Urbanisation has now reached to a level where globally more people live in urban environments than in rural. In more developed regions this is projected to reach 80% and above. This paper explores the Harris-Todaro migration model and its interpretation during economic recessions and thus the potential to reverse the traditional march towards urbanization. A key element of this hypothesis is the role of social capital and the ability to develop or more effectively harness existing social capital parameters to raise the level of investment, opportunity and lifestyle potential of rural economies over the next 50 years. It also re-assesses the potential consequences of social capital development in the transformation of rural economies through its impact on the relative nature of poverty between urban and rural environments.

Keywords: rural development, social capital, urbanization, migration, economic development

INTRODUCTION
It appears that much of the macro-economics of political debate between central government and regional governments at a domestic or European level concerning the impact of rural deprivation on society and more important on the social capital of communities and society in general is that they conceive of rural as meaning agrarian and urban as industrial. When coupled with migration of individuals from rural communities to urban communities or from impoverished economies to wealthy economies these societal dilemmas appear not to be reconcilable. Thus urban migration continues to grow and the hopes and aspirations of rural poor are replaced by even more impoverished urban poor.

MacAskill (2012) argued that during a process the author called rural renaissance three essential components are in play. First, a requirement for a parallel process the author calls renaissance economics that has as its core driver the creation of a viable, vital and vibrant rural economy that provides economic opportunities across all age and skill groups. Through this approach rural economies need no longer be defined by farm based economies but liberated to comprise rurally based businesses. This is a highly significant shift in attitudinal and intellectual framing of the issues faced by rural economies and begins the process of questioning the need to move to urban economies and the types of businesses that may in the future make up rural economies. Bloom (1970) noted the potential of what was called "rurbanisation" of Jamaica in a process that attempted to create an urban type economy in rural areas while maintaining its essential rurality. This work followed the findings of Hauser (1961) when considering the urbanisation of Latin America. Second, the development of social capital in communities to promote the underpinning ecosystem that encourages the necessary investment or promotes new uses of investment resources in the rural economy to support employment opportunities for the young. This component relates to the dependency individuals place in trust and trusting relationships when creating and building their ideas into a profitable, socially or financially, activity. In Rural Renaissance this simply means that individuals working together for a common vision and doing so unconditionally. While the vision may be realised into a profitable activity and may be sufficient motivation for some, social capital is dependent on the unconditional element of the journey. Through this concept of participation and the acceptance of the common vision being unconditional, social capital is not only exploited but can be developed or re-built in communities. Third, by diversifying businesses and refining value chains it is possible to invert the market dynamic that shifts the negotiating power from the intermediary to the producer and thus increase the rate of return available to rurally based businesses from their product range. This increased value from the outputs from rurally based business activities promotes opportunities for employment and further investment and development in new products and activities.

These basic parameters of the rural renaissance programme have been refined and developed over some 20 years of development work in promoting rural economic development through business diversification and development models. Yet several major hurdles still present themselves: education and skills do not match the needs of employers and thus the economy; investment into new businesses and start-up initiatives remains extremely difficult despite a range of programmes to promote easier access to investment funds; a belief that by migrating from one situation to another you will leave behind your troubles and overcome them and be able to create a new life.

The OECD inequality review (2013) demonstrates that Gini for a range of coefficients are increasing demonstrating greater inequality between social strata rather than less. At the same time their has been an unprecedented migration of people from rural economies to urban environments over the last 20 years such that in Scotland the national Records of Scotland (2013) state that over 70% of people no live in settlements over 10,000 people. Globally, more people now live in urban environments than do rural ones. This is reflected in similar statistics for Europe and the probability that by 2050 some 82% of the population will live in urban environments. While this places scales of economies in the system for industry and potentially for carbon efficient living it still does not resolve issues of over crowding, in adequate public services and an increasing dislocation from consumption from production and thus the potential for oversupply of commodities in certain economies and under supply in others depending on wealth and logistic infrastructure. Yet one aspect appears constant despite this: migration from rural economies to urban ones.

MIGRATION MEASURES

One of the classical models developed to investigate urban and rural migration was developed by Harris and Todaro (1970) and they identified that the key drivers for migration were the obvious ones: The key hypothesis is that migrants consider the probability of getting a higher paying job at their destination is greater than if they stayed where they were.

In a practical sense this means that their model will be in equilibrium where the risk of not getting job is higher than the relative comfort of having your family and friends around you and your ability to grow or access easily the food you require. In otherwise you are foregoing social capital benefits for financial capital benefits. In the model this is normally expressed as the rate of unemployment in the two economies. Using computer models Espindola et al (2005) and Silveira et al.(2005) confirmed the robustness of Harris and Todaro (1970) hypothesis on the use of wage differential between rural and urban migration as significant. Espindola et al. (2006) followed this by demonstrating that the hypothesis around the equilibrium of employment is not dependent on wages although the differential value of these wages does influence the equilibrium by withdrawing migrants moving to the urban environment. Day et al. (1987) comment on the Harris Todaro model in terms on not simply urban to rural migration but also the reverse effect. This reverse migration provides some insight into the instability of any migration model and thus the potential to indeed set up a policy initiative that set up a political and market economy that promoted rural migration rather than urban.

One can consider many anecdotal situations where reverse migration occurs as a consequence of political turmoil or economic austerity. During the mid 1990's the Baltic States experienced a radical shift towards a market economy and this resulted in an internal regional migration effect. In consequence the migration model was reversed as people who could not find employment or afford to stay in an urban environment migrate back to a subsistence living off their family farms. Similar situations may occur in a transnational migration as occurred following the enlargement of the EU that resulted in mass movements of people across Europe. Within the UK a large migration from Poland and other accession states occurred at the beginning of the 21st century to take up the enormous number of job opportunities in the building and hospitality sectors as a result of the booming economy. This phase was categorised by the traditional model conditions of high availably of work and a large differential in wages from their home country thus making the risk of migration small. However, during the 2007 financial crash a similar reverse migration occurred as the differentials between work availability and wages reduced and social capital benefits and indeed the spending power of the accrued income saved while working as migrant labour.

Thus it is possible to reverse the model to create situations where migration makes more sense from urban areas to rural areas. This is sometimes easier to demonstrate during periods of economic turmoil however, given the budget available from the regional development budget of the EU and through CAP measures one must ask the question about whether it is possible to reverse the urban migration through more appropriately targeted use of these enormous budgets. Barrell et al. (2007) carried out a study on migration across the EU and noted that along with others that those countries allowing free movement of new member states across their borders, as opposed to the majority of member states who did impose restrictions, resulted in a diversion of migrants away from the traditional migration countries. The United Kingdom saw an annual rise of 50,000 migrants a year rise to 150,000 per year over the last decade. While these changes can have a host of macro-economic consequences such as distorting labour costs which both impacts on unemployment risk as well as reducing the wage disparity between the host and home country. Reverse impacts on the home country can be the effect of remittances into the local economy and the risk of dependency or more positively the use of remitted funds to invest in local activities which may radically improve the lifestyles of families. Such experiences can persuade or dissuade migration depending on the relative differentials they create in earning power and disposable income.

CONCUSIONS

The result of migration can be seen to be influenced by government policy, fiscal incentives and social capital benefits. It is therefore necessary to consider the impact of rural renaissance in the context of these macroeconomic effects. MacAskill (2012) commented on the consistent proportion of the EU budget set aside for CAP being consistent around 25 to 30% across the period 1980 to 2009. That is three cycles of the CAP and associated reforms, yet urban migration has continued if not accelerated and the rural countryside continues to be de-skilled. The thrust of the argument there was that CAP is maintaining the farm centric nature of rural economies rather than one bade on a diversified rural business approach. Some CAP reforms have placed funds against ecological land use and farm business but in reality they simply subsidise traditional approaches. If social capital is to be developed and vibrant and viable rural economies to be created people must want to live and create businesses with local and global reach. Urbanisation has the power of providing cheaper social welfare programmes and public services as population size makes these affordable. Rurally isolated villages are expensive to maintain and thus services and amenities become eroded until inhabitants need to go to the next village for basic services which may mean they must have their own or access to transport to take them their. This commonality of struggle maintains a strong community and associated social capital. However, current policies leading to the same effect as the land clearances in the Scottish highlands between 1800 and 1850 when hundreds of thousands of people where moved off land and many of them immigrating regionally or nationally. While policies are not actively forcing people to migrate there are passively doing so. While the CAP and other regional development do not support or reward innovation and entrepreneurial approaches to establishing rural businesses the scaling up of these businesses to support the formation of business clusters from which other business can develop and expand there is little chance of reversing the migration model for positive reasons.

The author experience of building social capital projects (Macaskill,2011) has been that establishing the common vision supported unconditionally while hard to establish, once established is a powerful tool from which to generate income and job opportunities. In the Baltic QUEST project a small consortium was formed of 10 mixed food and beverage manufacturer. This group once stabilised were able to share resource, help smaller companies grow and professionalise, access funds to develop the asset base of their businesses. Similarly, in Romania the formation of a rural development consortium has enabled a group of farmers form a small commune in Calarasi to expand their own vision and make sound use of accession pathway funds to build the capital asset base of their consortia and their individual businesses.

Key to any plan to reverse migration has to be a hub around which participants can use to focus their ambitions and from which the deployment and development of social capital can be harnessed. This can be a single individual, as in the Romanian projects who was able to work with people to sell the vision. In most contexts this hub is supported by an educational establishment well focused on the application of subject knowledge not simply the gaining of it. These clusters and hubs of innovation and support have their most famous example, is by Stanford University in the US (Eesley & Miller, 2012). Their impact study demonstrated that forty percent of Stanford students find jobs through some form of networking, and the men and women who lead Silicon Valley’s most innovative companies interact regularly by visiting campus to lecture, collaborate with faculty, and share ideas with the next generation of entrepreneurs currently filling classrooms.

The study showed the immense power of the hub and spoke approach to building financial capital as well as social capital. Some 18,000 firms created by alumni generate circa $1.27 trillion and employing more than 3 million people. Since the 1930s 39,900 active companies can be traced to the institution and those companies have created 5.4 million jobs and generate annual world revenues of $2.7 trillion. Among those who graduated after 1990, 25 percent of the responding entrepreneurs formed their companies within 20 miles of the university. Thirty-nine percent of all alumni founded firms located within 60 miles of Stanford—or roughly a one hour’s drive and 15 percent (2,600) of graduate students from outside the United States stayed in the area and contribute to the region’s robust infrastructure and entrepreneurial spirit. Since 1984, almost 44 percent (17,265) of Stanford’s graduate students have come from outside the United States. That percentage has increased in recent years to 56 percent in 2010. In the 2000s the largest proportion of non-U.S. national founders came from Asia, comprising nearly 8 percent of all company founders and 41 percent of all non-U.S. founders.

These are immensely powerful statistics for the EU to consider not just in terms of high tech and Silicon Valley business start-ups but in the dynamic creation of social capital to promote economic impact far beyond the funds applied in the first instance. For Rural Renaissance and programmes of a similar construct to be even more successful they need to lead the debate on CAP reform not respond to traditional arguments.

Rural Renaissance and Renaissance Economics are model that have a track record of success and are capable of being scaled to support the development of regional comparative advantage and thus a hub and spoke of rural incubators to support and guide rural entrepreneurs. Only through re-thinking direct intervention will farm based businesses survive from global competition and be able to re-direct the power of the consumer pound into rurally basses businesses capable of trading worldwide.

The Rural Renaissance approach also provides the focus for ensuring the region has sufficient digital technology and broadband communication systems to support businesses interact with the local, regional and international markets it seeks to develop.

The core to any rural economic development programme is to support the transition of businesses to tackle areas of expansion and to become responsive and agile not simply preserve them to address markets that are declining and perpetually niche..

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