

## Small towns as ‘sub-poles’ in English rural development: Investigating rural–urban linkages using sub-regional social accounting matrices

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### Abstract

This paper uses spatial economic data from four small English towns to measure the strength of economic integration between town and hinterland and to estimate the magnitude of town–hinterland spill-over effects. Following estimation of local integration indicators and inter-locale flows, sub-regional social accounting matrices (SAMs) are developed to estimate the strength of local employment and output multipliers for various economic sectors. The potential value of a town as a ‘sub-pole’ in local economic development is shown to be dependent on structural differences in the local economy, such as the particular mix of firms within towns. Although the multipliers are generally small, indicating a low level of local linkages, some sectors, particularly financial services and banking, show consistently higher multipliers for both output and employment.

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### 1. Introduction

It has long been assumed that small towns are important to rural economies and societies in Europe. Their functions, both for inhabitants and the surrounding countryside have, however, evolved over time. While changes in the agri-food sector have tended to undermine their traditional economic role in relation to farming, technological developments have combined with changes in the relative ease and costs of travel to encourage a diverse range of firms and individuals to re-locate to these rural settlements

(Marsden et al., 1993; Errington, 2000). Although there is now more functional diversity in small towns, reflecting greater heterogeneity of rural economies as a whole, the direction of this evolution is not identical in all cases.

Agricultural restructuring, the effects of common agricultural policy (CAP) reform and changing patterns of agricultural trade are affecting the entire EU (European Commission, 2003). Two trends within the evolving CAP have emphasised the potential role small towns may play in creating more diverse rural economies. First, a need for alternative off-farm employment for farmers as subsidies have been reduced and recognition that this is likely to be in small towns. Second, a need to improve the competitiveness of rural areas (CEC, 1997), and, in England, ‘thriving’ market towns are considered able to contribute significantly to prosperity in the rural areas around them (Defra, 2004). Indeed, the interest in market towns by

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<sup>1</sup> Andrew Errington sadly passed away on 18 November 2003 before this paper, or the research it draws upon, was completed. Thus, we dedicate this paper to his memory.

policy makers is long-standing, with these settlements considered ‘a focus for growth in areas which need regeneration and, more generally, as service centres and hubs for surrounding hinterland, exploiting their potential as attractive places to live, work and spend leisure time’ (DETR, 2000).

Errington and Courtney (2000) argued that the interest of English policy makers in small towns (Cabinet Office, 1999, pp. 116–119; DETR, 2000, pp. 73–88) stems from more than the problems they face such as retail closures and that small towns may be attractive as a potential focus for initiatives to create more diversified rural economies. There are three reasons for this. First, they may enable beneficial economic development while conserving the environmental assets of open countryside, confining new development to existing urban areas and reducing the need for commuting. Second, they may already contain the concentrations of community and institutional capacity necessary to manage regional, national or European initiatives in a reliable and accountable manner. Third, concentrating rural development initiatives in small towns may take advantage of economies of agglomeration while allowing benefits to spread out to the surrounding countryside. Such thinking echoes the European Commission’s earlier analysis of rural issues. Referring to rural development as part of regional policy, they concluded that, rather than ‘concentrate development effort on a few major central poles of economic activity ... a larger number of intermediate centres – ‘sub-poles’ – should be assisted in their development, scattered over a wide area’ (European Commission, 1988, p. 10).

The notion that market towns could act as ‘hubs’ for the surrounding rural hinterland and ‘essential drivers of economic prosperity’ was emphasised by DETR (2000) in the Rural White Paper. This recognition subsequently led to the creation of the Market Towns Initiative in England with Government commitment to contribute £37 million over 3 years to market town regeneration. This was a bottom-up partnership approach, targeting towns on their potential to act as a focus for growth and service provision and the ability of local partners to provide matched funding. More than 235 towns have taken part since the programme’s inception, undergoing first a ‘health check’ designed to highlight local strengths and weaknesses, and then the development of a Town Action Plan to address specific issues.

This initiative continues under the revised name of the Market and Coastal Towns Initiative, with funds allocated to the Countryside Agency (now part of Natural England) and delivered through the Regional Development Agencies. However, it is now seen as part of a more complex, integrated approach to economic development. This complexity in part reflects the move towards polycentricity in European spatial development, within which the structure of intra-regional flows and rural–urban linkages are of increasing relevance. At the regional and local scale, small and medium-sized towns (and the enforcement of network-

ing and cooperation between them) are seen as engines for economic development in rural regions (Shucksmith et al., 2005), again emphasising the role of these settlements as potential growth poles in wider rural economies.

For towns to act as sub-poles in rural development, one must ask how strong the links between such towns and their hinterlands are, and how these have been affected by recent socio-economic changes. In addition, have these links been felt uniformly over different types of town? Such questions may be overlooked by policy makers attracted by the potential role of small towns in fostering diverse and prosperous rural economies. With continuing globalisation, increased personal mobility and the advent of new information and communication technologies, it cannot be assumed that benefits of economic development initiatives in small towns will necessarily flow out into the surrounding countryside. Indeed, if town–hinterland links prove weak, then expansion of economic activity within a town might simply lead to an increase in imports and commuter flows from other regions or neighbouring cities with relatively few benefits to the surrounding rural area.

If the prime concern is *rural* development, the spatial distribution of income and employment multipliers is just as important as their size. It is, therefore, necessary to understand and evaluate the nature of contemporary economic linkages between small towns and their surrounding areas before assessing their potential role as ‘growth poles’ in rural development. Following on, there are two research questions addressed here. First, do small and medium-sized towns act as ‘sub-poles’ in rural economies? Second, which economic sectors help facilitate local economic growth in, and around, small towns?

Here, we present findings from a study which sought to answer these questions empirically using a tested methodology to measure the strength of local economic linkages and identify the geographical and structural factors that might influence the validity of a small town growth pole strategy. Section 2 sets out the theoretical framework, embedded in growth pole theory, while Section 3 outlines our methodology for studying the economic role of small towns and introduces the concept of a town’s ‘economic footprint’. Following an overview of spatial economic data obtained through the primary surveys, SAMs illustrate the nature and extent of town–hinterland spill-overs in four case study areas. Finally, we review our findings in the light of growth pole theory and evolving rural policy, draw some conclusions and suggest key directions for future research.

## 2. Growth pole theory

Growth pole theory originated from Perroux (1955) who considered the facilitation of economic development by concentrating economic activities in abstract ‘economic space’ occupied by firms strongly interdependent in terms of output sales and input purchases. He stated that, in such conditions, the expansion of one firm will tend to have a

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