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## **The evolution of rurality in the experience of the “third Italy”**

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## Abstract

*According to OECD definition, rural areas in the European Union represent 91% of territory and 56% of population. The analysis of their development, is a topic often neglected by regional economists, and delegated to agricultural economists. A condition that appears more and more anachronistic in consideration that, in many cases, rural areas have been able to actively participate to economic and social development taking advantage from the integration between economic sectors and environmental resources. This contribution, referred in particular to the Italian experience of the so called “third Italy” (North-East-Center), analyses rurality with an evolutionary approach. Three following stages of rurality, named respectively “agrarian rurality”, “industrial rurality” and “post-industrial rurality” are analytically presented. They are the result of the redistribution of employment, investments and production value between economic sectors along time, but also of the changes in the citizens’ and consumers’ expectations with rurality. Passing from one stage to the other, the role of agriculture itself changes.*

## 1-Introduction

OECD defines rural areas on population density (OECD, 1994). At first instance local administrative units level 2 (LAU2) are classified rural if their population density is less than 150 inhabitants per km<sup>2</sup>. Afterward regions, at NUTS 2 and NUTS 3 levels, are classified in three categories:

- ⤴ *Predominantly rural (PR)*: if more than 50% of population lives in rural local units (with less than 150 inhabitants per km<sup>2</sup>);
- ⤴ *Intermediate Regions (IR)*: if the population which lives in rural units is between 15% and 50%;
- ⤴ *Predominantly urban (PU)*: if the population that lives in rural units is less than 15%.

Furthermore a PR territory is classified IR if it contains a center of at least 200,000 inhabitants and a region IR is reclassified as PU if it contains a center of at least 500,000 inhabitants, that represents

more than 25% of the whole population.

The OECD methodology causes several distortions when applied to the European Union because of large variations in the area of local units, large variations in the surface area of NUTS 3 regions and the practice in some countries to separate a city centre from the surrounding region. Therefore, in order to provide a consistent basis for the description of predominantly rural, intermediate and predominantly urban regions in all Commission communications, reports and publications, four Directorates-General within the European Commission have developed a new typology based on a simple two steps approach to identify urban areas:

- A population density threshold (300 inhabitants per km<sup>2</sup>) applied to grid cells of 1 km<sup>2</sup>;
- A minimum size threshold (5000 inhabitants) applied to grouped grid cells above the density threshold.

The population living in rural areas is the population living outside the urban areas identified through the method described above.

This new approach classifies 68% of EU-27 population as living in urban areas and 32% as living in rural areas (Eurostat, 2010). Predominantly rural regions in the EU represent 57% of the territory and in 2008, they generated 17% of total Gross Value Added (GVA) and 22% of employment. The share of predominantly rural regions in the territory is approximately equal in the EU-15 and in the EU-12 (56% and 58%, respectively). However, the share of predominantly rural regions in terms of population, GVA and employment is higher in the EU-12 than in the EU-15. In the EU-12, 41% of the population live in predominantly rural regions, compared to 19% in the EU-15. The share of predominantly rural regions in GVA and employment of the EU-12 is 29% and 37% of the total, respectively; while in the EU-15 these shares are substantially lower (16% for GVA and 18% for employment) (Directorate-General for Agriculture and Rural Development, 2011).

Demographic and economic data however represent only a part of rural areas relevancy. Rural areas do not only play the role of providing the traditional *Four F* (food, feed, fiber and fuel) to urban areas. New functions are demanded to them to a greater extent: residential, cultural, touristic, landscaping. Natural parks and areas with greater environmental and landscape value are almost exclusively localized in the rural areas (overall in the PR areas). Rural areas ensure systematic provision of fundamental resources to cities: water for example, or solutions to urban problems: disposal of waste. Rural areas also ensure the hydro-geological defense (keeping under control landslides and flood risk), as well as the oxygen exchange and the seizure of CO<sub>2</sub>. Furthermore rural

areas were the protagonist of recent industrial development of the European Union: the phenomenon regarding industrial districts of small and medium enterprises is deep-rooted in socio-economic, cultural and territorial traditions of rurality. If we consider how the functions summarized so far were crucial for the overall development and for the quality of life and the overall picture of the whole Country, it will surely appear as singular, especially in Italy, the scarce commitment on regional economics and social science applied to territory and local development. Rurality, confined to a research field of quasi-exclusive competence of agricultural economists, got stuck into sectoral issues, missing a general theory, precisely when many experiences of spread development of several EU rural areas suggested to swift the research toward inter-sectoral and inter-disciplinary approaches.

This dearth of studies and insights has a correspondence in the political sphere too: even related to the scarce electoral potential of rural areas itself (caused by low demographic density), the commitment is occasional, often related to emergencies or necessities of stakeholder lobbies at sectoral, local and particular level.

It is not a case that EU provides a separated and independent policy for rural development, both in terms of financing and responsibility, with respect to regional and local development policies. Indeed for the first, which is under the responsibility of the European Commissioner for “agriculture, and rural affairs” and of DG-Agri and it is an important part of Common Agricultural Policy (CAP), specific programming procedures with a specific set of rules<sup>1</sup>, specific programming procedures (“Community Strategic Guidelines for rural development”<sup>2</sup>, “National Strategic Plan for rural development” and programs for rural development at Member State or regional level) are still provided and financed by a dedicated fund: the European Agricultural Fund for Rural Development (EAFRD)<sup>3</sup>.

As it is known, all other regional and local development policies are under the responsibility of the European Commissioner for “regional policy” and of DG-Regio, whose mission is “to strengthen (using resources and regulations regarding ERFD, ESF and the Cohesion Fund) economic, social and territorial cohesion by reducing disparities between the levels of development of regions and

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<sup>1</sup> Regulation (EC) n. 1698/2005, September, 25<sup>th</sup>, 2005, on rural development sustain by European Agriculture and Fund for Rural Development (EAFRD).

<sup>2</sup> European Union Council, council decision on February, 20<sup>th</sup>, 2006, on strategic guidelines for rural development (programming period 2007-2013), (2006/144/EC). Official Journal of the European Union, February, 25<sup>th</sup>, 2006.

<sup>3</sup> Regulation (EC) n. 1290/2005, June, 21<sup>st</sup>, 2005, on CAP financing. Official Journal of the European Union, August, 11<sup>th</sup>, 2005.

countries of the European Union”. It is evident how this interferes and overlaps the competences of DG-Agri in rural areas development, especially when it is identified the task of “ helping regions that are less prosperous or are suffering from structural problems to improve competitiveness and to achieve a faster rate of economic development in a sustainable way”<sup>4</sup>.

This paper has three aims. The first consists in providing a contribute to the creation of a theory regarding rural development and relations among rural development and overall development of a Country, where rural and urban are integrated and endowed with complementary roles. The second aim consists in deriving an analytical frame for the development policy of rural areas, in order to evaluate and to understand progresses and limits of current rural development policy of EU and of other policies at regional and local level. The last aim is to provide cues to drive the research and future interventions, evaluating the current situation and showing development paths, methodological references and needed skills for this purpose.

## **2. Rurality in three evolutionary scenarios**

The analysis has been developed in Italy with reference to the specific case of the so called “Third Italy”, that is those Italian regions (North-East of Italy, Emilia Romagna, Tuscany, Marches, and some small areas of South Italy) which during seventies were able to experiment an economic growth in spite of the Oil Crisis. Indeed the classical distinction between North and South Italy where Northern regions are industrialized and developed, while Southern ones are poor and disadvantaged, is reductive and incomplete, not considering those regions which rely on “soft industrialization” and industrial districts, exactly those situated especially in North-East and Central Italy (also called NEC regions) (Guenzi, 2002).

### **2.1 “Agrarian rurality”**

Based on its etymological origins and on dictionary definitions, both the noun and the adjective “rural” unequivocally refer to agriculture and farming<sup>5</sup>. Commonly used as synonym of

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<sup>4</sup> See DG-Regio website: [http://ec.europa.eu/dgs/regional\\_policy/index\\_en.htm](http://ec.europa.eu/dgs/regional_policy/index_en.htm).

<sup>5</sup> As in many dictionaries: “far away from large town or cities”; Oxford Advanced Learner’s Dictionary:”of, in or

“agriculture”, the word “rural” has however a broader meaning: while the word “agricultural” is, indeed, mainly used to indicate those activities inherent to cultivation and cattle breeding, the word “rural” includes both social and territorial spheres. Nonetheless, the similitude was so strong for long time that (until the OECD studies cited before), in order to measure the rurality level and to separate rural areas from urban ones, a criterion based on a measure of relative weight of agriculture (mainly in terms of employment rate or GDP share) was adopted.

Just after WWII, in most Countries of Europe, we could collocate the model of agrarian rurality, that is in the Fifties and Sixties. It was the period when European Common Agricultural Policy (CAP) was introduced, the role of agriculture in rural areas (including productive and commercial activities in support of agriculture and farmers too) was so overbearing and its performances were so important to affect the overall social-economic dynamic of rural areas, along with wellness level. For its sectoral aspects, we can give to this evolutionary stage of rurality the name of “agrarian rurality”. The “agrarian rurality” is characterized by the clear separation between rural territories and urban territories and by the specialization, or even the agricultural exclusivity, of the firsts.

The theoretical foundations of “agrarian rurality” have to be found in the weakness of peripheral and rural areas, conditioned by the exclusivity of agriculture, considering the advantages of central (urban) positions and the best performances of the industrial and tertiary sectors, with respect to agriculture. They feed a dualistic interpretation of development process based on spatial hierarchy, on agglomeration economies and on those tayloristic paradigms of industrial firm theory. Therefore rural areas can be defined in this way, how often it happens in that social-economic and cultural context, essentially in a negative way. Rural is “not-urban”, rural is “the white between the dots”. Rural is a synonym of marginality, economic and cultural discrimination, disadvantage, dependence. Urban territories, pushed toward concentration by agglomeration economies (of scale, specialization, urbanization), are rich and able to reach higher growth rates. Rural areas, instead, are those where the income level is lower while unemployment, poverty, emigration are higher.

Following this approach, during overall economic development, two passive roles are attributed to rural areas: supporting the urban growth providing them with food for a growing population, and contributing to the industrial development by cheap workforce emigrated from countryside. In these circumstances, agricultural policy (demanded and supported by the political representation of farmers constituted by political parties and farmer unions) gains a sectoral character and tries to

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suggesting the countryside or agriculture”; Concise Oxford Dictionary: “suggesting the country, pastoral, agricultural”.

play two roles: a) supporting production in terms of quantity in order to ensure food security, by protectionist measures and high price levels (as CAP did); b) compensating “rural poverty” by redistribution policies consisting in a wide range of measures characterized by undifferentiated expenditure and by a generalized fiscal and contributory exemption for all the social components of the agricultural sector.

In the “agrarian rurality” model exists a clear trade-off, maybe even a kind of identification, between sectoral (agricultural) and territorial (rural) dimensions of development. Given the importance of agriculture in rural areas in terms of employment, income, etc..., rural development depends on agricultural development, or, at least, the capability of rural areas to resist to urban hegemony depends on the high representation power of farmer unions and other organizations.

Implicitly this justifies, both in absolute and relative terms, the huge weight (for what concerns both expenditure fiscal exceptions and social security) addressed to agricultural policy (as in the CAP, which, still in 1985, absorbed three quarters of European Community's whole budget). Agricultural policy in the agrarian rurality does not just play an economic role consisting in supporting farms (as in the industrial rurality), but it has other functions:

1. a social function, supporting families and rural society;
2. a territorial function, supporting the environmental and territorial equilibrium;
3. a political function, controlling the political support in terms of voters in the countryside.

The basic assumption of the “agrarian rurality” model is that the quality of life in rural areas is substantially dependent from the agricultural policy (with its endowments and benefits) absorbing the functions of all other policies.

In some kind of way, agricultural policy had another fundamental role, as well as the sectoral one of supporting agriculture: it was the main tool for redistribution among territories and for social support. The development of rural areas and the management of rural territory are therefore left to the specialists of agriculture, as a sectoral problem, implying a poor attention for the rest of rural economy and society.

All other policies (regarding industry, tourism, transportation, education, health, soil exploitation, etc...) are determined and preliminary designed by the center in order to satisfy urban needs, without any care for the specific needs of rural areas, considered unbearably disadvantaged and dependent, for their survival, on the redistributive support of agricultural policy and, where this is not enough, on the emigration and, in the areas less far away, on the positive influence of

metropolitan areas.

Even though its paradigms can be criticized under different aspects, the “agrarian rurality” is based on a clear economic theory. Even the CAP, as well as the set of agricultural policies of member states, can be considered strictly coherent with the social deal between farmers and society, implicit in that economic theory and substantially declared in the Rome Treaty, art. 33 (Sotte, 1997).

## ***2.2 “Industrial rurality”***

The model of “industrial rurality” can be collocated in several rural regions of Europe in the decades between 1970 and 1990. In the European Union, in all rural areas, the weight of agriculture decreased quickly. Only few areas could be defined as fully independent from it, and, however, it was almost everywhere overcome for what concerns employment and income by the industrial sector and, afterward, by the tertiary one.

Because of the decrease of agricultural employment, the model of agrarian rurality lost consequentially its basement. This is the reason for the individuation of other indicators of rurality. The OECD solution, recalled at the beginning of this article, based on population density, is the one which is nowadays globally accepted.

But other central elements of agrarian rurality lost consistency. First of all, it was no more valid the assumption regarding the ineluctable social-economical delay of rural areas, and therefore its dependence on those centers which lead the development. Despite the distance from the center, the leakage of activities on the territory and the limited scale returns due to an economic system based on small and medium enterprises, the rural economy and society showed a fruitful ground for the birth and the growth of industrial and tertiary firms. A long list of endogenous factors of development was contained within rural areas: the social-economic polymorphism, the social mobility and flexibility, the cooperative behavior derived from rural institutions and from the structure of enlarged family, the widespread practical knowledge, the business skills, the risk propensity of those people whose survival and income rely on biological, market and climate conditions.

Rural areas were specifically stimulated when a set of exogenous factors gave them the opportunity to redeem themselves exploiting their latent skills. Among those factors, consumers demand shifted from standardized products to a diversified range of personalized products and technological

transformations allowed small and medium enterprises to reach (by external network economies) competitive levels that before only big firms was able to realize. The former “agrarian rurality” had been substituted by a new model called “industrial rurality”.

Italy is a good example for understanding those main foundations of rural areas' industrial success and for analyzing the evolutionary implications of such a process on agricultural and rural society. Since Sixties and mainly in Seventies and Eighties, different areas localized in North-East and Central Italy (Nec regions), characterized by a rural economy and a society based on sharecropping, far away from traditional growth and industrial localization centers, experimented a quick economic dynamism rooted on rurality and based on networks of industrial districts (Favaretto, 2006). Others, observing how several Adriatic regions (Friuli Venezia Giulia, Veneto, Emilia-Romagna, Marche, Abruzzo, Molise and, recently, Puglia) have been truly involved in such experience, addressed this as the “Adriatic way of development”.

Let's focus on “Third Italy”: the evolution of former rural areas toward modern local and integrated systems of small and medium enterprises, was so huge to shift the center of gravity of Italian economy and to characterize the current specialization of Italian manufacture on products “for the person” (shoes, clothing, hats, glasses...) or “for the house” (furniture, pottery, curtains, etc.) and tourism. It is the so-called “made in Italy”, connected to fashion, to differentiation and to personalization of products, subject to taste change and continuous innovation (Brusco and others, 2007; Paci, 1978; Beccantini, 1989).

Despite the Italian industrial “dwarfism”, nowadays the competitiveness of Italian economy relies on not more than 200 local manufacturing systems, based on small and medium enterprises, born in territories and localizations that, because of their rural features, were previously considered disadvantaged.

The lesson learned from the change empirically observed in these places has found a scientific explanation only after the entering in social sciences of new concepts: “transition cost”, “scope economy”, “human and social capital”, “firm networks” and “network firms”, “governance”. But the comprehension is specifically linked to the emergence of an evolutionary approach in economics, alternative for its features, to the mechanistic reductionism, that still constitutes the so-called “mainstream” theory.

The case of Nec areas in Italy, as well as similar experiences in rural areas of other countries, was no more treated as the classical “hornet” case, which would not be able to fly, in spite of evidences.

But if the rural foundations of industrial take-off had an explanation in the Marshallian lesson of industrial districts and in the Shumpeterian theory of firm and in the entrepreneur role, a lower analytical commitment has been showed in order to understand the effects generated by changes in those rural features of economy, society, and distribution of effects on the territory and on the related values of social-economic change.

Today, more than forty years after the appearance of industrial districts in some rural areas of the European Union, when their expertise has reached the maturity phase, it is possible to make such an analysis and some considerations can be very useful for other rural regions that are, in Europe or in the World, still in a condition of “agrarian rurality” or that have recently entered a scenario of “industrial rurality”.

The first consideration regards development conditions. Economic development based on industrial growth is truly possible in rural areas, as in the case of Italian industrial districts, but if it is exclusively led by the market without an appropriate territorial policy, its territorial distribution is far from being homogeneous, because it tends to concentrate in some parts of rural areas, causing territorial dualism.

The most dynamic part of territory is specialized in the “core business” of industrial districts, gaining competitiveness for its products in the global market, but losing the needed flexibility for adapting to new competitive scenarios, while factor costs (e.g. labor costs) and transaction costs increase. The rest of territory (as the mountain areas or those disadvantaged and with less infrastructures) becomes weaker because of emigration (especially of young people) and its rural endowments are exploited in such a way that their original and autonomous productive capabilities progressively disappear. Moreover, a loss of environmental, landscape and historical-cultural quality can be also noted (Anselmi, 2000).

In the long term, the result is that only some specific rural areas have a real success, showing and developing a self-sustained capability for competing in the global market, while the others fail, remaining incapable to self-sustain their development.

The second consideration regards agriculture, and the long lasting assumption that those areas where agriculture is located have to remain in a marginal condition, recompensed only by price support and by re-distributive policies. Agriculture was refused by farmers themselves and this refusal has paired the revenge of surroundings focused on industrial development. A new dualism took place, characterized by a new migration from the near countryside and from minor centers,

toward nearest industrial districts and those areas connected to greater communication ways. This migration of people was then followed by a re-arrangement of public services and functions (hospitals, schools, government services, etc...) from the whole territory toward successful centers corresponded.

In the “industrial rurality” model, again a passive role is assigned to agriculture: it is expected to contribute to social-economic stability and to transfer labor force, capital, land and entrepreneurial skills toward the typical activities of the district economy.

Agriculture is pushed to move from traditional multi-output and labor intensive settings and the integrated organization toward an industrialist vision marked by the characteristic features of the industrial organization, although incompatible with sustainability and agricultural vocations in the long term:

- ⤴ Capital intensive production styles;
- ⤴ Labor saving techniques;
- ⤴ Productive specialization, up to monoculture;
- ⤴ Standardization of both products and processes;
- ⤴ Simplification and marginalization (or even exclusion) of land (the crucial productive factor in agriculture), as in the case of industrial breeding.

Agriculture industrialization was the main target of agricultural policies even during the period of the “industrial rurality”. All this was favored, in Seventies and Eighties, by the CAP.

Common features of this policy are the following:

- ⤴ A strong concentration of price support on standardized basic products (commodities): cereals, oil seeds, sugar beet, meat and milk;
- ⤴ A boost to productive specialization toward few productions (up to monoculture), leaving traditional complex productive ordinations, first of all separating cultivation from breeding activities;
- ⤴ A gradual weakening of connections between agriculture, on the one side, and territorial specifics, on the other, homogenizing different regional agriculture typologies to the prevailing production models, mostly oriented by scientific enhancements produced for the particular needs of other contexts;
- ⤴ A decrease of operative space of agriculture in the food chain, fostering the use of chemical and mechanical inputs and product standardization;

- ⤴ Introduction and strengthening of supply control measures (set-aside, quotes, incentives for abatement and removal, destruction or denaturation of surplus productions, etc...) without caring of product quality and environmental effects;
- ⤴ Lower protection for labor intensive productions with high quality and high value added, left to market dynamics without the support of a structural and commercial policy (if compared, in terms of expenditure, with market support ensured to continental productions).

It is clear how such a policy, because of its non-selectivity and unbalanced support to rents (showed by high land values) rather than to virtuous behaviors of farmers (linked to risk taking, good business idea, production of goods and services appreciated by consumers and citizens, offer of employment opportunities, etc...), substantially induces the aging of farmers and rural society. At the same time, it hinders the generational turn-over in the countryside and the exchange of experiences and knowledge between agricultural sector and other entrepreneurial opportunities in the rural world.

“Farm the contribution!”, this is the message that farmers have heard until recent reforms of CAP. Despite the introduction of some agro-environmental measures, just a little support was dedicated to the production of common goods, as environment, landscape, biodiversity, flood prevention, and the conservation of land fertility.

While the model of “agrarian rurality” was supported by a coherent economic theory, the “industrial rurality” model was the result of the structural change observed in some specific rural areas, especially in North-East-Center, that experienced (first of all others in Italy) the birth of industrial districts. At the basis of this process there was not a coherent policy. The same perception of extraordinary and originality of the economic development experience of the industrial districts in former rural areas arrived with delay even in economic research<sup>6</sup>. Even because “industrial rurality” undermined former economic theories, showing their inadequacy. And when, later, economists, as well as sociologists and other social scientists, noticed this change, in terms of theorization of rural areas development, consisted in a list of criticisms against the old theory, but not in a new theory.

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<sup>6</sup> The starting phase of industrial district can be dated back to Sixties, but their originality and irreversibility was recognized by economic research and specialized journals in the first half of Seventies.

### ***2.3 “Post-industrial rurality” model for the century***

Several reasons suggest that in the Nineties and, above all, in the new century a new scenario for rurality emerged: the so-called “post-industrial rurality”. First of all, this change is due to the new role society is demanding to rural areas. The concerns inherent to conservation and safeguard of environment, as well as those for food safety and quality, are considered in Europe main priorities of political agenda.

Furthermore, the change is due to technological progress: progresses in transport and communication systems are fostered by new physical and virtual links, that reduced traditional drawbacks of rural areas, while a new propensity of workers in sectors apart from agriculture (and formerly of exclusive urban pertinence) to live in rural areas emerged. The diffusion of remote working and, generally, communication simplicity, fosters this trend. The request of new residences of non-farmers affects rural areas surrounding metropolitan areas and places with high touristic, landscape and naturalistic value, can be extended to almost all Italy and Europe, excluded extreme localizations.

As result, rural areas record an original and increasing market request, generated by consumers' preferences. At the same time, citizens demand enhanced public interventions for defending collective goods and new services related to environment, landscape and life quality.

Two main elements characterize the new model. The first is the territorial (no more sectoral) dimension of rurality; now the distinctive character of rural areas becomes the integration of different perspectives:

- ⤴ Integration among economic activities, because neither agriculture nor industry prevail, while only services (for “the firm” as well as for “the person” or “the family”) grow up over 50% of total employment;
- ⤴ Territorial integration between social and natural aspects;
- ⤴ Integration among rural territories and urban territories (up to a total disappearance of borders);
- ⤴ Integration between local and global markets, and so on.

Here, a specific role of agriculture can be proposed as a new main component of cross-sectors integration. An agriculture deeply different from the conventional one, reorganized on new orientations of informed consumers and participating citizens, but even on new technological

opportunities (Groupe de Bruges, 1996; Campli, 1999). A new rurality model where agriculture regains an autonomously relevant role, no longer accessory to manufacture and services development.

A new measure for this rurality model should be chosen in order to represent its complex and polymorphic character. The abovementioned measure of rurality by the OECD, based on population density appears obsolete: a depopulated region, specialized in an extensive overspecialized agriculture, substantially speculative, where even farmers could not be residents and would prefer to be commuters from distant towns, could appear highly rural using the demographic density indicator, even if in such a territory any kind of rural society and institutions would actually lack. A desert, ultimately, is not more rural than many other territorial contexts where rurality is expressed by social-economic integrated activities. As a matter of fact, within the same OECD, and recently FAO, a new research line was opened; it is focusing on the identification of new measures of rurality no longer based only on one indicator, but rather on a qualified set of variables (FAO-OECD Report, 2007; The Wye Group, 2007).

A second central aspect of this idea of rurality is diversity. Diversity is the keyword of rural development in the “post-industrial rurality” model. It is the opposite of urban societies homogenization, of standardized lifestyles and consumptions on a globalized world. Rural territories clearly constitute, a natural reserve of biodiversity, landscape, historical capital, and agricultural tradition: in a word, of “natural capital”. From the socio-economic point of view, however, they can even constitute a reserve of “human” and “social” capital, from which the flexibility of a local system, its adaptation skills, its capacity to take chances in a global market (increasingly volatile and unpredictable) eventually depend.

This means that a fundamental role in the development of rural areas should be played by both agricultural and non-agricultural (manufacturing and service sectors) small and medium enterprises and that specific policies should be adopted for their creation and development. But the difference with respect to the “industrial rurality” model is that here rurality appears as a value because of its particular complexity and typical polymorphism. The conservation and promotion of these attributes should constitute the main aims of rural development policies (Favaretto, 2001).

In this scenario, even the role of agriculture should be consequentially re-defined. In the EU document of “Agenda 2000” the target of orienting agricultural policies to the “European model of agriculture” should be understood in all its implications. Opposed to the model of “agrarian

rurality” (that had been for years the model of agriculture in the “industrial rurality”): the “European model of agriculture” is oriented toward a multifunctional agriculture, where a particular effort is dedicated to the satisfaction of the consumer demand for high quality food and its safety. This is associated to a widespread set of new and traditional roles for farmer: connected to transformation and commercialization of food, handicrafts, agrotourism, sports and leisure, environmental safeguard, education, health, etc...

The change toward a complex and diversified role like this for agriculture and the re-definition of rural development as integrated and diversified participation of all sectors, discloses a new role for rural areas in the market as well as requires for new policies.

In an evolutionist approach capable of dealing with complexity, rural areas development consists in the integration of four types of capital: natural, social, human and artificial (Arzeni, Esposti, Sotte, 2001):

- ⤴ Natural capital is composed by natural resources, biodiversity, fertility, water, hydro-geologic equilibrium, etc...;
- ⤴ Social capital consists in formal and informal institutions, regulations and traditions, rights, cultural capital, participation and organization, etc...;
- ⤴ Human capital is represented by knowledge, expertise, enterprising skills, expectations, dignity, age, health, etc...;
- ⤴ Artificial capital comprehends plants and machines, income level and distribution, facilities, etc....

These four types of capital are strictly correlated. Local development is based on the quality of this connection, as well as landscape value, quality of life, and, briefly, on attractiveness of local system. If the local system is oriented exclusively toward the maximization of artificial capital, without caring of other kinds of capital, the final balance can be negative. A weakened rurality loses its recovering skill, the ability of adapting to shocks, or to take new market chance (in ecology we could call it “resilience”). A gradual loss of natural, social and human capital is the direct effect. Ultimately, rural areas lose all their skills for an autonomous participation to overall development and, in the long run, they lose even part of that artificial capital because of high costs implied by this disequilibrium (as after floods, soil erosion, BSE, and epizootic afta).

Rural development and, within it, primal sector revival are first of all a long run strategy which is oriented to the conservation of complexity and of components of a long-term equilibrium and to the

integration of rural areas in a sustainable development process. From the social-economic point of view, this means giving agricultural and non-agricultural functions and roles to rural areas, fostering exchanges among sectors and territories in such a way that both isolation and past agricultural mono-function (in both agrarian and industrial rurality) are outdated.

Furthermore, while overall development takes place and society evolves, some improvements of rural areas are requested. For what concerns food, the change is clear: from a notion of security in terms of quantity the emphasis is now on a notion of safety in terms of quality, while other roles of rural areas attract interests of consumers and taxpayers. Rural areas can still be a fundamental reserve of low cost productive factors, low transaction costs, scope economies, flexibility, and an ability of adapting to new market chances.

The co-evolution of rural areas with urban areas on the basis of a common strategy is a fundamental condition to encourage competitiveness in a globalized economy. This aspect is fundamental for the integration process in the Central-Eastern EU member States, considering that they own a wider reserve of rurality with respect to western countries of EU, where cities and urbanization are bigger. The rural development policy is consequentially defined as an integrated process of territorial planning and management. It should be inter-sectoral and inter-disciplinary.

It is therefore requested a new hierarchic distribution of responsibility, as well as a new integration between top-down and bottom-up methods and government and governance. Expert analysis of structural policies and Leader program, can be very useful for this purpose. This leads to pointing out the importance of reducing the current gap between EU territorial policies and agriculture sectoral policy (Saraceno, 2002).

It is clear that a learning-by-doing approach is more suited for this purpose. Complexity and variability request very flexible political solutions, which should be characterized by an efficient and modern system of monitoring and valuation. In this context, a major scientific problem regards the availability of information at the territorial level. Therefore, new methodologies should be provided in order to integrate traditional statistical data with administrative data and, secondly, they should lead to a systematic geo-referencing. This would also solve the inadequacy of conventional territorial units with respect to many phenomena thus leaving each researcher or evaluator free to design its own territorial unit related to particular issues and targets.

While rurality passes from a sectoral definition to a territorial one, the role of agriculture in the rural development changes. In the “agrarian rurality”, agriculture was dominant and the overall welfare

of rural areas was directly influenced. In the “industrial rurality” agriculture could have some opportunities only “industrializing” itself, that is denying its peculiarities and originality, connected to territorial vocations, traditions, and its integration with territory and nature.

The situation is now generally reversed. The prospective, in the long run, of a sustainable agriculture is no more possible without a simultaneous development of all the other activities of rural areas. The implication in terms of policy is that while the past agricultural policy was designed to satisfy the great part of rural areas expectations, nowadays, other policies are a necessary condition for a sustainable development of rural areas and of the same agriculture.

All other policies should be adapted to the new roles of economic sectors and to the new definition of social-economic development of rural areas. Rural development programs, they being territorially defined, overcome the agricultural dimension and comprehend even industrial and tertiary policies, infrastructural policies, the quantity and the quality of services to society (education, health...), the design of environment and territory.

Rural development programs should outline, first of all, a long-run development strategy for rural areas and consider thoroughly these policies, paying specific attention to the interconnections among them. The subsidiarity principle should orientate responsibility distribution among different levels of government.

### **3. Is the EU approach to rural development appropriate?**

It is clear that the current agricultural policy does not comply with a correct theoretical definition of a rural development policy. The recent Fischler Reform of 2003 eliminated almost all supply coupled supports introducing the so called “single payment scheme” and above all, by the so called “modulation”, it was expected to increase the endowment of second pillar, the rural development one<sup>7</sup>.

So far EU has made great progresses in many aspects of territorial policy for the period 2007-2013, in spite of the fund decrease for the same period due to the financial perspectives approved in 2005. The 2005 reform of cohesion and structural policy for the programming period is coupled with the

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<sup>7</sup> Further information and analysis on this issue are in: Sotte F. (2005), “Affinché riprenda la riflessione strategica sul futuro della PAC. Analisi SWOT della riforma Fischler nella attesa di una nuova politica di sviluppo rurale”, *Agriregionieuropa*, n. 0. See also Pupo D’Andrea’s papers “Finestra sulla PAC”, in *Agriregionieuropa*, [www.agrionieuropa.it](http://www.agrionieuropa.it).

recent reform of rural development driven by Reg. 1698/05 and financed by the new European Agricultural Fund for Rural Development. This policy incorporates the positive Leader experience of 1991-2006 in an appropriate way<sup>8</sup>.

In spite of this, the target of a rural development policy coherent with a “post-industrial rurality” model is still far away.

The integration among agricultural policy, which still incorporates the rural development, and all the other sectoral, social and territorial policies (relevant for rural development) is still limited. Indeed, rural development is still considered within the CAP as an agricultural problem, separated from regional, territorial and local development.

However, in the current CAP we may still observe a severe contradiction. Even after the Fischler Reform of 2003, it consists in the distorted distribution of expenditure between first and second pillar: the first gets 80% of the whole budget, while the second gets no more than 20%. Given the predominance of the first with respect to the second (that is, the market support and direct payments with respect to rural development), the final effect is always determined by the prevailing push of support to agricultural incomes, that weakens and neutralizes the efforts made to foster an integrated and multifunctional agriculture.

Consequently, despite various agricultural reforms, the territorial distribution of benefits is still not substantially changed and the CAP continues having a sectoral function, in discordance with Cork declaration<sup>9</sup> and its “European model of agriculture”.

The main role is still played by agricultural policy. Not casually the rural development policy is managed by the European Commissioner for “agriculture and rural affairs” and, for member States and Regions, the respective ministers for agriculture. Paradoxically, indeed, the so called rural development is only a little part of the CAP which is a policy defined from the center and most ly oriented to income support on the basis of the old price support.

Other European policies addressed to rural regions (new convergence and competitiveness targets of structural policy) are defined independently and they are not able to adapt themselves to a thorough rural development policy as previously defined. Consequently, rural areas have not yet complementary policies for rural development, thus remaining in a precarious and uncertain condition. One of the most important discussion points in Europe is the shift of current CAP toward

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<sup>8</sup> Further information on rural development policy are in: De Filippis F., Sotte F. (2006), Saraceno E. (2005), Martino F. (2007), Gruppo 2013 (2006), Sotte F., Ripanti R. (2008).

<sup>9</sup> See: European Commission (1996).

a more integrated rural policy.

A crucial aspect of the CAP reform and its application regards the firm and the entrepreneur. The specific character of former CAP distorted entrepreneurial skills of farmers, isolating them from small and medium entrepreneurs of manufacturing and tertiary sector. Acting in an artificial and protected market, farmers were used to solve mainly technical problems, while the others small and medium entrepreneurs, dealing with competition on free market, needs a different skill, mostly oriented to solve market problems. A basic task of new agricultural policy will be to select new solutions to remove the gap between farmers and other entrepreneurs of rural areas, helping them to work in markets with less protection, fostering the exchange of expertise among sectors and territories, and contemporaneously stimulating the development and the turnover of farmers, that could enjoy some processes concerning human capital and technologies evolution, similar to those affecting more dynamical sectors.

In order to reach this target, the policy-maker should cooperate more intensively with researchers. From this point of view, rural development policy is an important challenge even for agrarian economists. Without losing their point of view and their specificity, they are requested to open their discipline to a cross-fertilization with other subjects, regarding not only economics and other social sciences, but even natural sciences and territorial planning.

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