



# Contemporary Theory and Methodology in Studies and Development Models of Peripheral Areas

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## ABSTRACT

The regional imbalance in the development of the territory is a major structural feature of many parts of the world and Europe. The enlargement process of the European Union continues to deepen the differences in its geographic area as a whole and in the individual Member States. Constantly increases the number and type of problem areas for which it is necessary to be conducted targeted policy set on adequate to the current situation theoretical scientific basis. A primary task of the regional science becomes the study of imbalances in socio-economic development especially in peripheral areas where they are most pronounced. The implementation of both the classical and the alternative approaches and methods of regional analysis is a guarantee for an objective evaluation of the real picture in these areas. The conduct of comparative regional studies based on integrated indicators, contributes to a differentiated approach to the organization and management of their territory. On this basis, the generation of favourable conditions for better use of local resources in the periphery of the different spatial levels will allow expression of their advantages in implementing structural reforms in these areas and creating working models for their future sustainable development. The better "embed" of the peripheral areas in the organization of national and community territory is an essential element of the implementation of European cohesion policy, by which to permanently change their limited role of resources (raw materials, labour) and a market of products and services of the centre.

## 1. INTRODUCTION

The contemporary regional science pays considerable attention to the analysis of the two main types of problematic areas (central and peripheral) that most often play a significant role in enhancing the disproportions in spatial development. Through the interaction of these areas the classical exploratory and managerial problem of certain areas (centre-periphery) is either solved or exacerbated. Currently, peripheral area in regional studies is defined as a territory that is dependent on the immediate area of influence of the central area and is deprived of basic geographical

advantages both on its own and on his territory. Unlike the centre, the peripheral area is regarded as an area with low adaptive capacity and minor opportunities for economic stabilization and even less for growth compared to the general situation of the country. Moreover, in peripheral areas are focused increasingly smaller part of the tangible material assets, whose achievements of the scientific technical progress (STP) can hardly be found and are completely inadequate in terms of its management and administrative capacity.

The problem of "centre – periphery" occurs when the integration, harmony, equilibrium is severely impaired or even absent in connections and relations

such as “administrative centre - urban network”, “city – village”, “urban - rural regions”, “city centre – suburbs” etc.

When analyzing the development of regions, municipalities and rural settlements, we can speak of the presence of the “centre – periphery”, issue that identifies peripheral or central regions only when there is interdependence between them and the development of some territorial communities develops on the account of others' backwardness. The public perceptions of the problem are expressed mainly in opposition of two types of territorial communities. Usually, in the peripheral areas, typical features are significantly lagging behind in economic, social and cultural life, while in a number of central areas it is observed intensive activity and a more dynamic development.

In significant periods of time most of the regionalists strongly supported “the thesis for stagnation” according to which the periphery is doomed to stagnation, as this ensures of its adjoining central region a permanent possibility to develop primarily on account of its field of influence, using active the natural and anthropogenic resources of the neighbouring peripheral areas and even their shrinking market.

## **2. THEORY AND METHODOLOGY**

In the theoretical formulations for the development of the territory until the mid-'80s of the 20<sup>th</sup> century, the problem of regional imbalances in developed countries and in Bulgaria in particular is decided mainly by increasing the subsidies for agriculture, fisheries and mining or by increasing the employment in the public sector. The vicious practice of extensive development by “pouring” more public money in major depressive economic activities due to the objective influence of a number of factors in the '90s makes it impossible to achieve a territorial cohesion of the regions. The lack of real effectiveness of the redistributive approach in regional and local development necessitates the development of a new approach of space organization, the nature of which focuses on promoting “autonomous mechanisms” in the problematic peripheral areas, i.e. activation of their endogenous (internal) potential for development.

Gradually, the concept of “equalization” is replaced by the concept of “efficiency” and regional policy develops quality in complex structural policy for the development of the region. The main goal of the new policy in these areas is not simply to provide funds to the poor areas and invest in the transformation of local and regional economic structures in the most complete and effective sustainable use of their own resources, by taking into account their specificities and not just preserve but turn their identity into their major advantage.

Shaping the consolidation and development of local autonomy is an important feature of the endogenous approach in the spatial development, which directly corresponds to the idea that there are no “useless” or “valueless” areas. It is acknowledged the fact that there are inadequate strategies and plans for regional and local development and that there is also a passive and even incompetent local government.

The partnership principle becomes the key for the spatial development, which requires close interaction and cooperation between all stakeholders in the process, as well as between all tiers of government - from local and regional to the national and the European community. In this approach the main goal is to mobilize the population and administration of the relevant peripheral region. This will ensure and enhance the use of the “bottom-up” approach, thanks to which the regions will more clearly be able to formulate their ideas and defend their interests. By creating their own local development strategies they will open the door wider for inter-regional contacts, growing into mutually beneficial partnerships based on common/collective interests.

The consistency in the appearance and development of these models demonstrates the complexity of the independent variables in the production function. In the traditional models, the focus is only on the factors of “labour” and “capital”. They are ruled in the theory of the '50s of last century. After them, popularity gains “the agglomeration models” - in the '60s of the 20<sup>th</sup> century. In the next decade those of the local environment are dominant while the territorial innovation models are imposed after the '80s. They focus on the interaction between “labour”, “capital” and regional location factors such as quality of the labour force, organizational and technical know-how, and the social and institutional structures. They are all set on the basis of innovation as the engine of economic prosperity and sustainable development.

In the development of periphery the approaches occur chronologically in three phases, which are distinguished and rounded out by their nature: exogenous approach to development; endogenous approach and mixed. The first one examines the development of peripheral areas as strongly determined by the impact of external forces and resources. According to the endogenous approach it is much more active and predominantly dependent on the local incentives and resources. The mixed one denies the strong polarization of the first two approaches and focuses on the target interaction between local and foreign forces. In this approach the development of peripheral regions is more closely associated with the growing process of globalization under the influence of rapid technological changes in the information and communication sectors. It is regarded as the formation of a chain of networks in

which the resources are mobilized, and the control over the process is based on the partnership between the internal and external forces.

The comprehensive nature of the theory of endogenous development is associated with several concepts, summarizing different views of authors working on the subject. Many of them are the basis of successful practices in the EU:

a). The theory of the development of provincial (peripheral) areas (at municipal level).

b). The theory of Bryden of the potential of immobile factors in creating competitive advantages in peripheral regions [1].

c). The theory of innovative environment.

The first concept relies on the endogenous approach to the economic development of the periphery and focuses on building a local capacity and institutional structures. The second concept can be considered as a specific application of the endogenous growth model, and the third corresponds to the mixed approach of development. Here, the focus is directed towards the development of the internal potential of the local community and territory, but in the context of active processes of globalization and regionalization in the modern world.

While the national authorities focus their attention on addressing issues of international, national and cross-regional nature, the regional government in close cooperation with the local authorities and the population is responsible for the provision of sustainable and consistent development of the territory. All mentioned levels should work together, guided by the tasks of sustainable spatial development.

Due to the geographical polarization of the economic development and growing regional variations in many new EU member states and countries whose accession is ahead, the strengthening on regional level of the administrative and political system is particularly relevant as means of achieving sustainable and balanced regional development.

Significant research interest deserves the relationship between the endogenous development and spatial interaction. The emphasis is on the analysis of the importance of the existence of effective dialogue and joint cooperation between the "local stakeholders". The aim is to create sufficient conditions for increasing the attractiveness of specific peripheral territory as a new location for business and living space.

The models of endogenous growth of the peripheral areas reflect on the specific impact of intangible factors on technical progress - knowledge, technologies, innovation and human capital. The founder of endogenous growth theory is considered Paul Romer (1990) with his work "New growth theory" [2].

In the endogenous theory, growth is determined by factors and conditions that are inherent to a given economic system. Technical progress and population growth are assumed as internal independent

variables, as well as investments in some models. The theory takes into account the important role of motives and incentives of economic agents, the behaviour of the private sector, the impact of the public institutions and the economic policy of the country.

Two groups of endogenous growth models are differentiated by C. Plosser (1989) [3]. The first is focused on the different types of reproducible capital (material and tangible and human), i.e. the one that is determined by knowledge and the acquired skills. The second group of models aims to disclose the impact of externalities on economic growth. Thus differentiated, however, both groups ignore the factor of "market power of firms". It is addressed in the so-called. "Schumpeterian models of endogenous growth." Some more popular models of this group are those of F. Eigen and P. Howitt (1992) [4].

For all endogenous models, regardless of how they are constructed, it is essential that the preferences of the economic agents to save/invest significantly affect the long-term economic development. In contrast to the neoclassical theory the endogenous models pay more attention to the systematic analysis of technological progress and innovation and their impact on the growth.

In the study we took into account the following models:

a). The model of Paul Romer, on the basis of which we drew conclusions about the benefits of implementing the endogenous development in the peripheral regions in Bulgaria:

- taking measures to increase the competitiveness of the local market;
- active policy in creating a local environment that stimulates innovation in the private sector;
- priority in the programs for human capital development, the investments in fixed capital and free technology transfer aiming to accelerate the local economic growth and reduce the regional disparities;
- extracting the positive effects of integration.

b). The model of R. Forslid (2003) [5] by which we analyzed the interaction between economic integration and various regional policies, such as:

- the change in localization of government activities in rural and peripheral areas;
- investments in infrastructure;
- subsidies for the development of local industry.

Unlike the traditional models of "centre - periphery" in which case two regions are always examined, the author includes three territorial formations, asymmetric in size. This allows him to make some additional conclusions that are associated with the effects of localization in the area according to territorial characteristics of the region and on the improvement of the relevance of empirical specifications. The examined model also presents the main dependencies in the relations of "centre -

periphery". It allows for drawing the following conclusions on the integration of less developed regions and what policies need to be followed:

- in the absence of adequate government policy of the central government, economic integration can lead to a complete de-industrialization of the periphery of each territorial community;

- to create a viable agglomeration of settlements which would serve as a counterweight to the central region. The formal government structures (agencies and other similar ones) should be established in medium-sized peripheral region. It has sufficient resources for a real implementation of the winning and "bottom - up" working approach. It is also important for an effective regional and especially local politics, to make sure that the income from the invested capital is really supporting mainly the industrialization of the periphery and the development of services;

- the improvement of infrastructure between the central and peripheral regions results initially in the de-industrialization of the latter. Therefore, it is necessary that infrastructure policy should focus on the gradual shift to the internal and between regional infrastructures by which it would significantly increase the attractiveness of the periphery in terms of the localization of businesses and particularly the investments in the processing activities as an engine of growth;

- government subsidies are effective in weak agglomeration forces, i.e. the cities are spatially significant in both low and high level of economic integration. European and national regional policies will increase their effectiveness with the deepening of the integration process in the leading role of the cities regardless of their rank and territorial influence. More and more active should be the role of small towns in peripheral and rural areas where they are the locomotive of the territorial integration factor and actively contribute to the spatial synergy.

In the second half of the '90s of 20<sup>th</sup> century in the EU there has been noticed a tendency for the transformation of regional policy towards the creation of conditions for effective use of the absolute and comparative advantages of various regions. To implement the policy of endogenous development, a reform is conducted in the regional governance of the EU, at the basis of which stands the increase of local competitiveness, the reduction of inter-regional disparities, adequate information provision etc.

These measures are of particular interest to a significant number of countries with highly developed problem of "centre - periphery". When judging their realization, the main question to be legally clarified is - the separation of powers of the central and regional authorities [6]. An essential condition for the effectiveness of this policy is the existence and the qualitatively state of the administrative and management capacity of local authorities and their

active partnership with informal civil structures (local action groups, etc.).

The innovative approaches based on the endogenous development applied in European countries are:

- models of cooperation in the implementation of the "LEADER" approach, in a number of Member States;

- models that are implemented at the regional level (the example of Scotland);

- models implemented locally – at the village level (the example of Finland).

An exploratory interest is the concept of "innovative environment" as in the context of the growing process of globalization and regionalization the system of the endogenous development is enriched with a number of components. They are: strengthening the network cooperation (with the inclusion of external stakeholders), scientific-technique progress and its institutional provision, translation of foreign technological and organizational experience. The emphasis on the latter allows the creation of a special kind of "social environment" in the peripheral areas, which contributes to mainly attract the innovative industries.

Based on the utilization of local resources, the concept of "innovative environment" leads to the development of synergies between the local players and external networks. Along with that, a constant process of investments in innovation is needed, which includes not only high-tech, but involving all sectors of the economy. The collective experience gaining suggests that "the engine for the creation of "innovative environment" should be the technological, organizational and managerial development of the local community. The main function of this environment lies in the "reduction of uncertainty by collecting and disseminating information" both to the internal and the external environment.

In the study of the researchers from GREMI regarding the existence of "innovative environment" in the peripheral areas, R. Camagni (2000) states rather limited interconnections between external management structures and local institutions and companies [7]. He calls this "potentially innovative environment" if the local synergy has not yet led to greater innovation activities or "innovations without environment" provided that innovative activities are already being developed by the local companies, without relying on regional connections.

### 3. RESULTS AND DISCUSSION

The formation and development of the network of settlements has been a long and continuous process, influenced by a number of factors of the geographical environment of the area. Evolving into

complex spatial structures with different demographic mass, construction of material and technical basis and the ongoing processes between them are dynamically depending on their hierarchy.

The large urban centres form areas around them while the cores of settlements are “blurred”. Their development is outside the city borders and it is a transition of transferring functions and activities to its close periphery. Thus the agglomeration areas are formed by overflowing and incorporating of neighbouring complex conglomerates along the transport infrastructure corridors.

In identifying the problem of “centre - periphery” it is necessary to analyze comprehensively at least two groups of territorial communities of different hierarchy (regions, municipalities, cities, etc.). They need to have a polar cluster of mainly favourable socio-economic characteristics in some territorial communities at the expense of others, in which are accumulated primarily negative processes and indicators [8]. The highly expressed unfavourable characteristics of the studied spatial aggregation are indicative of poor integration or a lack of it, i.e. territorial communities are the “periphery” of another “centre”.

A characteristic feature of the “centre - periphery” is its hierarchy. From this perspective, one and the same territorial community or any individual settlement of them can play the role of “centre” in terms of related peripheral areas or places of lower rank, and at the same time being “periphery” in relation to other areas of a higher rank.

The presence or absence of various natural resources and their level of development as well as the characteristics of the demographic potential are an important economic prerequisite for the polarization of the territories. At the same time one-sided development of a territory only as a source of raw materials often makes it a periphery, characterized by mono-structural economy.

By the nature of development the economic sectors also play an important role in determining the status of a territorial community as being peripheral. Generally the development of agriculture or low-tech industries is typical for the peripheral regions. On the other hand modern agricultural holdings are associated with many supporting activities on input and output and with a highly developed service infrastructure. For these reasons, a typical agricultural region can play the role of centre in terms of neighbouring industrial areas with declining extractive branches or other depressed industries.

The formation of peripheral areas is often a result of accelerated industrialization of urban areas, which for decades was draining the life force of rural areas (human, material and financial resources). That makes them a huge “inner periphery” of the national territory, including not only the villages but also a

number of small towns, both from the mountainous and the lowland-hilly areas.

The peripheral regions formed within the individual settlements are a result of errors in regional planning and violation of the fundamental principles in the spatial organization of the main public functions and activities. The main role of these inner urban areas is turning them into public bedrooms.

The transition to market economy also contributes to the deepening of the peripheral nature of many areas of the national territory. Negative impacts are expressed mainly in: the continuing depopulation of significant areas beyond traditional border regions which over the time can become “dead” spaces; the economic crisis has been the greatest force in the areas where industries are artificially transferred to the hinterland – the so called “Outpost economy”, typical for the mountain areas; an agrarian crisis encountered in many of the lowland-hilly areas where the restitution of agricultural land was delayed.

The geographical position of the Republic of Bulgaria within the continent defines it, at least for now, as a typical periphery in the political and economic space of the EU. It is the reason why the north-western region is the most underdeveloped in the community, although it is located closest to its natural centres. On the other hand, the slow implementation of qualitatively “rearmament” in the transport and technical infrastructure of the country severely limits the active use of the crossroad nature of the national territory (Bulgaria is the only country in Central and Eastern Europe, crossed by five priority developing European transport corridors). The implementation of more targeted actions in this process would lead to an activation of the number of peripheral areas in the country and Europe, through which they are passing.

Currently the impact of the corridors is largely limited and is close to “the effect of the tunnel”. This also applies to regional networks at micro level that would extend the zone of influence of each of the corridors in the depth of peripherally spaced in the neighbourhood areas. “The opening” of parts of the border periphery of the country has begun as a process of realization of projects of a number of pre-accession European programmes from the end of the twentieth century. The process does not receive its natural activation with the active EU membership which allows for the implementation of partnership activities on the joint use of local natural and anthropogenic resources for the diversification of the local farms and overcome the problems of socio-economic development.

#### 4. CONCLUSION

Municipalities and rural settlements shall be considered as multidimensional objects in carrying out specific surveys for a comparative analysis. When

examining the state of development on regional and local structures, the construction of their technical infrastructure and the level of social and economic development of individual spatial elements (municipalities or settlements) groups from systems of indicators are drawn up to summarize and also integrate the assessments.

On the basis of many quantitative indicators the used taxonomic method allows to contrast, compare and characterize territorial communities at different territorial levels (national, regional and local).

The analyzed indicators are expressed differently (units of measurement), thus they are standardized in order to be brought in a comparable manner. The level of the summary indicator shows the level of development and as close to the reference it is, the larger it is and vice versa. By calculating the summary indicator the arrangement of territorial communities is reflected along with the detection of thresholds for their assembly. Thus any multidimensional object - an area, municipality, etc. can be characterized by many aspects.

The reuse of the taxonomic method, but particularly by setting foot on the summative evaluation the integrated assessment of development is accomplished. On the basis of the two evaluations effective solutions for process management in territorial communities can be taken. This method provides an objective assessment of the studied spatial structures and opportunities for future development.

The endogenous development is emerging as an unconventional method of enhancing the effectiveness of regional policy and the development of peripheral regions. Its aim is the creation of specific local institutions and conditions to support the possibility of peripheral/rural areas to increase and diversify its production capacity and achieve a relatively economic autonomy from the "centre."

The process of spatial integration requires compliance with the trends in the transformation of regional policy. The focus of the efforts should be on the effective use of absolute and comparative advantages of

the different territorial communities of the "periphery". The development of the concept of endogenous growth and the implementation of a "bottom - up" approach is one of the biggest challenges facing local and regional policy in peripheral communities and at the same time is a tremendous opportunity for effective local governance and development.

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