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## IDENTITIES AND CONCEPTIONS OF BORDER AREA POPULATIONS IN EAST-CENTRAL AND SOUTH-EAST EUROPE – THEMATIC ASPECTS AND QUESTIONS OF AN ACTUAL RESEARCH FIELD

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**Abstract:** This article will be structured as follows: Firstly, it will be described what is to be understood by the term 'identity'. After that, this article will explore the significance of the topic 'identities of population' regarding the political, social, economic and cultural developments in the border areas of East-Central and South-East Europe. Because identities are not essentially but constructed phenomena, the next chapter will deal with the role of conceptions of the border area populations for the building of identity. The then following remarks on categories of border areas shall suggest that a great variety of border areas needs to be considered if one is occupied with the subject of this article. From these explanations the article's relation to application will be derived, and groups of questions as well as detailed questions will be developed.

**Key Words:** *identities, regionalism, centralism, European integration process, globalization, border areas, East-Central and South-East Europe*

### Considerations about the term 'identity'

"We Europeans still do not know much about each other!" complained the Luxemburgian prime minister Jean-Claude Juncker addressing graduates of the 'Europe sciences studies' at the Humboldt University of Berlin on 21st October 2009. The article which will be presented in the following should enlarge the stock of knowledge about European countries. This knowledge is necessary for a careful European integration process. This article shall be destined to one of those subjects which have not being studied enough until now despite their great significance for Europe.

Identity has been a popular word of the Zeitgeist for more than two decades already. Since the so-called psycho-wave of the 1980s, the needs and wishes of individuals and groups are seen as a reaction to the dominant interest for social structures and systems in the 1960s and 1970s. The identity of groups will be related to families, relationship and personal connections as well as to linguistic, religious and other cultural common grounds, but also to local, regional and national bonds, that is, to ties to areas and states. 'Identity' is to be understood as a feeling or a certainty of belonging to a certain group or area or to be one with this group or area. If this feeling or certainty is related to an area or region it is referred to spatial or regional identity, respectively.

Social and cultural sciences consider identity – defined as the consciousness or the feeling of belonging to a social network or a locality or an area and the feeling of oneness with these – dominantly as result of individual or collective action and no longer as a primordial category. Identity is changeable in principle (see for example Aschauer 1996 and 2000a; Brunnbauer

2002).

After the political change in former socialist countries more attention is paid again – as in the socialist period – to collective identities of ethnic and national character as a reaction to the socialist period or because of the lack of other opportunities of identification (see for example Binder/Niedermüller/Kaschuba 2001).

‘Space related identification’ is a process during the course of which an individual or a group acquires and shows affiliation to a space or a region. ‘Space’ or ‘region’ is understood as follows: 1, an administrative or a physically delimitable section of the surface of the earth; 2, a space of action without such kinds of borders, that is, a space which is determined by the ranges of activities of the people (space of action); 3, a space characterised by the perception of the people (space of perception); this space can vary concerning its size, shape and features (see for example Heller/Aschauer 2004).

#### **Identities in East-Central and South-East Europe as objects of research and their significance for the process of European integration**

The population of Europe is characterised by a great variety of identities on different spatial levels, including the national, regional and local levels. This is true especially for East-Central and South-East Europe because on the one hand several cultural areas intersect in this part of the continent, namely, 1, Western Christianity with the European big powers of the Habsburg monarchy and Prussia, 2, Eastern orthodox Christianity with the Byzantine empire and later with Russia as an eastern European hegemonic power, and 3, Islam with the Ottoman empire. On the other hand, East-Central and South-East Europe are marked by a very many recent changes of state borders and by a complicated pattern of migrations. So a lot of territories with specific spatial structures and population have arisen. The political borders of these territories are often of very different duration (see for example the map of Gilfillan 1924). However, the persistence of spatial structures makes it possible to see former cultural and state affiliations even today where state borders have not existed for a long time. Knowledge about these structures is important for the political decision-makers in Europe, if the EU enlargement and consolidation process is to be successful. Border areas are an important category of analysis. The application of this category of analysis can contribute to a better understanding of the diversity of Europe.

Besides the historical facts of the pre-socialist period as factors which have an influence on the character of the identities of the border areas, the following factors also need to be considered: 1, the socialist period, 2, the period of transition and in this respect the so-called second modernization, 3, the influences of globalisation and the regional and local protagonists who react to these influences in different manners.

The regional and local protagonists maintain that globalisation does not cause a homogenisation of the world society, which was sometimes feared at the beginning of the globalization debate. However, instead of this homogenisation, a differentiated spatial pattern with a mixture of a lot of political, social, economic and cultural characteristics has been created. In other words, a so-called hybridisation of the societies on different spatial scales is taking place. The expression of the economic space of this hybridisation has been compared with the pattern of the fur of a leopard (see for example Krätke 1996). Each of the different parts of this spatial pattern is constructed and imagined in a specific manner. Here it will be proposed that empirical studies of this subject should consider how these constructions and conceptions are made. It is intended that the individuals and groups will be studied with the aim

of seeing the manner in which they are locally and regionally anchored on the one side, and what kinds of globalised behaviour they show on the other side. An example could be the activation of local and regional potentials of economic and of business-relations. At the same time, new kinds of technology are used and new patterns of consumption are adopted. So, new spaces of action are created. They can overlap one another. These spaces will be studied with respect to their significance for the building of identities within the population. With the help of a comparison of the space-related identities found in the border areas of East-Central and South-East Europe, new formations of spatial identity shall be worked out.

What matters in the European integration process is to respect the different identities and at the same time, to strengthen the common ground as basis for the transnational community of the EU. A precondition for this task is the knowledge and respect for identity because only by considering actual identities can the different members of the EU perceive, understand and accept each other individually. So, identity means the delimitation of other people and affiliation with a larger entity as well as maintaining self-reliance (see for example Glaser 2001).

Especially in border areas, the question of a space-related identity is important to ask, because political borders do not necessarily mean cultural, social and economic borders, even in cases when they are permeable. As a consequence of border-crossings, the following kinds of areas are established: areas of exchange and areas where characteristics of the territories on both sides of the border overlap and are combined. So, the population can have a specific identity, that is, an identity specific for this border area. Nevertheless, it can also be characterised by two or more identities. These border areas can be considered as areas of interference, that is as areas which are marked by overlaps and coincidences of cultural phenomena and activities of different groups of population and of reciprocal relations between these groups. So, heterogenous societies with overlapping identities are established. One can call this feature interferentiality. Interferentiality is not restricted to border areas although it exists more abundantly in such areas.

In addition, there is the question of whether a border area has significance for the building of a certain spatial identity at all, because it is possible that all facts which seem to be characteristic for border areas are only variants of processes controlled from outside of the areas, that is, by processes of market economy or political processes. Examples of these processes are constructions of national identity made by the state central administrations or the introduction of a certain opinion on the history of the border and of the nations and ethnic groups who live there. So, the significance of a nearby border to identity building could be small compared to the effects of the construction of the general national identity. Lastly, theoretic knowledge of the significance of the proximity of a border does not exist to this day.

It seems to the author that there is hardly any scientific publication which explicitly addresses the subject of this article. The amount of existing studies on borders is huge, and the studies are full of sporadic and vague cross-reference to the category of border population. However, in spite of their different perspectives, more or less all of them proceed from the subject 'border' and not from the subject 'population of border areas'. Recent studies (as of Agnew 2007, 2008) mainly deal with the question of which factors have to be envisaged as being crucial for border making. It is from this particular perspective that Agnew analyzes the hitherto existing border studies. His analysis is not based on a typology of border studies (as, for example, Kolossov 2005) but rather on the work of Sahlin (1989) which deals with the production of the boundaries of national territories. Agnew refers to Sahlin by saying that he marked a position "that has been widely influential in border studies and that is often seen as representing a radical departure from 'old-style' studies based on center-periphery and top-down

understandings of how borders come about and are maintained.” (Agnew 2007, p. 399). In spite of Agnew’s overt concern with the overall effects of border making, he implicitly casts a view on identities of border populations as being secondary to or derived from political borders. This article, however, proposes to go beyond these derivative notions of identity and border population: It strives for relating these categories to border building as being part of reflexive, recursive processes. In doing so, it intends to avoid preconceptions which define border building as kind of an “independent” variable in terms of nomothetical explanations. Instead, it looks for open interrelations between categories which have to be reconstructed from social practice rather than be derived from abstract schemes.

Until now, the scientific and political interest explicitly concerning the EU border areas is concentrated on their social, economic and ecologically harmless development as well as on cross-border cooperation (see for example Roch/Scott/Ziegler 1998 and conference of Akademie für Raumforschung und Landesplanung/Leibniz-Forum für Raumwissenschaften on 2nd November 2009 in Berlin on “Cross-border interaction – Cross-border governance?”). For obvious reasons, this subject is interesting because border areas act as links for European cohesion. They play an important role in the European integration process which aims at a harmonic and balanced economic and social development of the member states and parts of their areas. However, the EU is also interested in the border areas of their neighbouring countries. Developments without tensions in these areas and states are useful for a good neighbourhood and therefore, for economy and society in general.

#### **Conceptions of border area populations – their significance for the building of identity**

The history and therefore the conception of the history that a population has, that is, the cultural memory which a population has, is important for the building of identity. With regard to this subject the following questions are interesting: What kinds of conceptions do exist about the history of the border area, about the population on both sides of the border and about other populations? A concrete example of history concerns the conceptions which the border area population has about the consequences of the political, social and economic developments of the EU for the border areas: In what manner are the border area inhabitants influenced by these developments? Do they feel that they are target groups of EU politics? Therefore, do they build a special identity different from the dominant national identity of the population of the states? Do they represent special population groups within a “Europe of Regions” which work and can be used as enzymes to spark the consolidation of the relations of the EU states among themselves and for the success of the future enlargement process?

However, the picture of the border area populations about their space of living and activities does not depend only on the politics of the EU but also essentially on the politics of the nation states. So, an important role is played by the question: What degree of independence do the political centres of the states grant to the provinces and to different regional units, especially to those regional units on the periphery. Do the central administrations allow the production of a regional self-confidence? Or do they brake and hinder the building of a border area related identity because they are afraid of too strong regionalisms and therefore, of a weakening of the national states? On the other hand: Do the central administrations support the regional movements, perhaps because they suggest that as a consequence of a stronger space-related identity the border population commits itself more to its region, and so the space-related identity can work as a development potential what is ultimately useful for the country as a whole? Is a strong identity of the border area population favourable for the structuring of cross-border relations, perhaps especially in those cases where a population which is ethnically similar or identical lives on the other side of the border?

### **Categories of border areas**

Empirical studies can be made with examples ordered by areas along state borders and along cultural borders. Each of these two categories can be divided into two groups. The first category can be divided based on areas along the internal and external borders of the EU. The second category can be divided with regard to areas of cultural interference inside of EU states and in the bordering neighbour countries. The reasons for the proposal of this structure are the following ones:

Border areas as categories of analysis became more important in East-Central and South-East Europe because of the enlargement process of the EU (see for example Sterbling 2009). Some border areas of certain countries have been reshaped by this process into double border areas, so to speak, that is, into border areas which became not only border areas of states but also of the EU. The EU tries to compensate or at least to reduce this disadvantage of the location, for example, by spending money from regional structure and cohesion funds. By these means, the national programmes for the support of the problem regions are promoted. On the other hand, the border areas of other states have been liberated from the character of double border areas because they are not longer located along the external border of the EU as a consequence of the enlargement process. A detailed examination would be required to see whether these areas, which are now only "simple" border areas are disadvantaged by their peripheral location inside the territory of the country, or whether they have an advantage because of the neighbourhood to an EU member country. As a consequence, the state border has become permeable. The closer cooperation with a neighbour country could have positive effects on the social and economic development on both sides of this new internal border of the EU.

Another new category of border areas is represented by the areas of those countries which are adjacent to the EU. The effects of the EU enlargement on these states are conflicting: On the one side, their western borders became more impermeable because of lack of access of the western neighbouring countries to the EU; on the other side, they can profit from the neighbourhood politics of the EU, which are concentrated on political, economic and social stability.

Probably, the European integration process can be predominantly evaluated positively concerning its political, economic and social effects on border areas, apart from the effects on areas of those countries which are located along the eastern border of the EU. However, this would have to be examined. On the contrary, the influences of the political and economic centres of the countries are to be seen as ambivalent. On the one hand, the centres are interested in a comprehensive development of the country, of the peripheral areas as well, while on the other hand, the centres can be afraid of the fact that the regions could become too independent and therefore separatist. Even the state systems of East-Central and South-East Europe are traditionally regarded as centralist, also because of the fact that in the socialist period centralism had been strengthened.

### **The connection of this article's subject to application**

Border areas of East-Central and South-East Europe are an important subject of research because by studying the developments of these areas much can be learnt about the development of the EU in general. However, it is an open question whether the EU enlargements have influenced the opinion of the population of the border areas in such a manner that new identities have arisen. This suggests that identities are not to be conceived as

essentialistic and so not as unchangeable, but in fact, identities change together with political, social and economic development, and even new identities can be created (see for example Norton 2007, Weigl 2004).

The knowledge about these processes contributes to a better understanding of the consequences of the EU enlargements. This knowledge can be used in the debate on future enlargements of the EU, and even in cases where the effects of the general, national constructions of identity are regarded as stronger than the effects of the production of local and regional identity. Concerning this fact, whether the identities which arise in the new border areas can work as so-called soft location factors needs to be examined. It is well-known that the quality of such factors is ascribed to the local and regional identity in multiple ways (see for example JOHN 1998, ASCHAUER 2000 b). On the one hand, it is supposed that a population identifying itself with its locality and its region is more engaged with their region or locality, develops more ideas for it and works more for it. In this sense, a strong space-related identity, for example, can be regarded as a kind of endogenous development potential. On the other hand, local and regional identity is propagated as attraction factors in the field of city and regional marketing, for example, for enterprises which intend to settle there or for tourism.

#### **Groups of questions and detailed questions to be considered by empirical studies: a proposal**

Corresponding to the exposition made above, a proposal for research questions shall be presented in the following. Empirical studies could consider the following groups of questions and detailed questions:

- (1) Self-image of the population of border areas:
  - What kinds of identities of the population can be found in border areas?
  - How do the border area inhabitants perceive themselves? What features of quality do they ascribe themselves?
  - Do multiple identities respectively mixtures of identities exist, too?
  - When have the identities been established?
  - What structural conditions – political, economic, cultural, social and demographic – did exist at the time of the building of the identities?
  - Who (state institutions and protagonists, interest groups etc) did cause the creation of identity and who contributed to it? What kinds of motives and aims did they have?
  - What conceptions of the history (cultural memory) one can see in these self-ascribed identities?
  - What effects do the self-image – that is, the conception and assumption of the border area population about itself – have on the other people, that is, the population outside the border area and on the inhabitants of the area on the other side of the border? Can they produce tensions?
- (2) Image of other people about the border area population:
  - What conception and assumption of the identities of border area inhabitants exist outside the border area? In other words, what kinds of identities are ascribed to the border area inhabitants?
  - Who are the representatives (activists and multipliers) of these ascriptions?
  - What kinds of motives and aims do they have?
  - What kinds of conception of the history one can see in these identities ascribed

- from outside?
- What effects does the image of other people – that is the conception and assumption of people living outside the border area of the border area population – have on the border area population on both sides of the border? Does it have a hostile potential?
- (3) The significance of centre and periphery in multi-ethnic and multi-national states:
- What significance do the relation between centre and periphery in multi-ethnic and multi-national states have for the building and shaping of the self-image and other image of the border area populations?
- (4) Significance of centralism, European integration process and globalisation:
- What role do state centralism, the European integration process and globalisation processes play in the concerned countries with regard to the building and shaping of self-image, of the image of other people and possibly of the concepts of an enemy?
- (5) The application of this article's subject:
- What aspects of the self-image and of the image of other people and what historic experiences as well as actual political developments, concepts and measures can contribute to an understanding across the border and to a reduction of tensions between centralism and regionalism inside of one and the same state if they exist?

This list of questions which is not complete, touches a subject where is still a big gap in research. Therefore, finding answers to these questions should be one of the subjects of empirical studies focused on East-Central and South-East Europe. In doing so, additional knowledge considering the subject 'Europe – unity in variety?' can be acquired. This knowledge can be useful for the future EU integration politics.

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## TERRITORIAL DIFFERENCES IN TRANSFORMATION PROCESSES IN BULGARIA

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**Abstract:** The transformation processes in Central and Eastern Europe, including Bulgaria, are subject of many investigations in the last two decades. Up to now there is no geographical survey on the territorial differences and their course in Bulgaria. The aim of this investigation is to study these differences in the transformation process in Bulgaria by 28 administrative districts (NUTS3). On the basis of analyses and comparisons of GDP per capita in different units (an indicator, accepted by specialists as the most common parameter) and the calculated values of integral indicator (reflecting the influence of 15 interlocked factors), the existing significant differences in the achieved level of transformation in the country are shown. At this stage there is no sufficient research to determine the threshold value of the integral indicator and to say with certainty that the territorial units, having values above it, are winners from the transformation process, and those with values below it, are losers.

**Key Words:** *territorial differences, transformation, Bulgaria*

### Introduction

The transformation started in all territorial units first in the economy and the changes in the economic sphere are connected with changes in the social sphere. Some of them are identical in nature with the changes in the national economy, while others are different. In general, the peculiarities of the process of transformation are a result of overlapping of national trends and specific processes and phenomena in the development of different parts of the country.

Several researchers determine the causes and factors that have influenced the different duration and effectiveness of the transformation process and the transition to a market economy. As Rydz (2006) maintains, the contemporary transformation processes are carried out in terms of pushing the regional structures out of the previous central command system and lead to the creation of new structures, based on market rules. "The effects of factors of restructuring in the geographic space build upon regional structures, formed earlier, which are characterized by different conditions for the adoption and implementation of the rules of the new system. New regional systems are formed as a result of the stronger but varying impact of new internal factors arising from the transformation process, and also of the factors at national and international level "(p. 5). According to Ciok (2001) "transformation process had a strong regional differentiation of forms from the very beginning" (p. 35), and according to Enyedi (2005) „regional disparities are evident, because of the uneven geographical distribution of development resources” (c. 18). Furthermore, it should be noted that the process of transformation of regional structures is carried out in a particular geographical environment,

which is a function of interrelated elements of the natural, social, economic and cultural space (Ziolo 1998).

### **Material and Methods**

As basic units in this study of regional differences in the transformation process are used the 28 districts, created in 1999, to replace previously existing nine larger administrative districts. The change of administrative division and the establishment of planning regions as new territorial framework and organizational structure for future sustainable and balanced regional development in compliance with the process of integration of Bulgaria into the European structures and for carrying out relevant regional policy can be evaluated as a specific aspect of transformation in the country.

From the analysis of publications, in which the processes of transformation are a major subject of research, or of publications evaluating the differences in the level of socio-economic development during the transformation, it becomes obvious that the researchers have used both single indicators and a combination of different number of indicators. As to the nature of the indicators that can measure the transformation, according to Conford, Richardson, Sokol, Marques, Gillespie (2006) there are well established and relatively non-contentious measures of improvement of transformed units - Gross Domestic / Regional Product per capita, various measures of productivity (output per worker or per working hour), levels of unemployment, levels of social exclusion, life expectancy, etc. Apparently, most of these indicators can be measured quantitatively. At first glance it seems that some of them imply expectations of negative consequences of transformation process, as unfortunately was the actual situation at the beginning of transition in Central and Eastern Europe. But as these authors stress, the transformation is expected to lead to improvements in transforming units, i.e. to have a positive contribution.

Gross domestic product (GDP) is one of the most commonly used parameters in the presentation of regional differences in the conduct and results of the transformation process both in individual countries and across regions. Furthermore, a number of other indicators are applied that characterize changes in the economy, the so-called development of business environment, competition, foreign capital inflow, changes in social relations, etc. For a better comparison some of the indicators are calculated on a per capita basis. The study and characterization of the territorial differences by single indicators use, for comparison's sake, the mean national values of the indicators. According to Jasiulewicz (2000) these comparisons may show the "success" of changes in the territorial units.

In recent decades, alongside with the application of individual indicators the integral indicators have also been used as they turned out to be suitable for assessment and comparison of similarities and differences in the spatial differentiation of socio-economic processes and phenomena. Several researchers have examined regional transformation by integral indicators - Czyż (1998), Parysek (1998b), Ciok (2001), Nagy (2005), Tarkowski (2008) and others. The analysis shows that regardless of the number and use of various indicators, most research on territorial differences in the transformation changes is comparative in nature. Similar approach to the study of regional differences in socio-economic development of Bulgaria is applied by Yankova, Shopov, Chkorev, Ivanov, Kirilova (2003), Totev (2003), Rousev (2005), Yankova (2008) and others.

The assessment of the achieved degree of transformation in the 28 districts is done through the use of a large number of indicators selected by the author of this study to describe the essential

features of the processes of systematic and structural transformation. Based on theoretical and methodological formulations for the study of transformation and on the availability of necessary information, it attempted to measure the achieved degree of transformation in the different districts by applying the integral (synthetic) indicator as well. The integral indicator is defined as the sum of the standardized (normalized) values of our chosen indicators characterizing economic and social aspects of transformation. The assessments of the integral indicator are based on the current statistical figures for the period 1996-2007. Some of the information is obtained from the National Statistical Institute and another part of it – from the author's publications. For most of the indicators 2007 is used as the last year; only for GDP this year is 2006. The value of the integral indicator for each district is obtained as a result of summing up the standardized (normalized) values of the chosen indicators on the basis of the formula below:

$$Z_i = y_{i1} + y_{i2} + y_{i3} + y_{i4} + \dots + y_{in}$$

where:

$Z_i$  is the integral indicator for the  $i$ -s territorial unit;

$y_{i1}, \dots, y_{in}$  - the standardized (normalized) values of the chosen indicators from 1 to  $n$  in the  $i$ -s territorial unit.

On the basis of the categorization of the indicators, used in this research, and of the applied formula, pointed above, four synthetic intermediate indicators are calculated, which are component parts of the synthetic indicator. Depending on the nature of the processes, three of them feature various economics aspects of transformation and one - its social aspects.

It is very difficult to determine the threshold value of the integral indicator and to say with certainty that the territorial units, having values above it, are winners from the transformation process, and those with values below it, are losers. Therefore further research and concrete bases for comparisons are necessary. So at this stage we restrain from establishing such limits.

### Results and Discussion

The analysis of data on gross domestic product (GDP) shows a significant territorial differentiation in areas owing to which considerable intraregional differences appear. The share of GDP produced in the economically most developed areas is growing. The analysis of the areas, holding the first and the last three positions<sup>1)</sup> on the ranking list over the period 1999-2006, indicates an increase in the share of the first three areas by 8.7 points, and a decrease in the share of the least developed areas by 0.83 points (Table 1).

*Table 1*

**Share from Bulgaria's Gross Domestic product**

Year	First three ranking in the districts		Last three ranking in the districts	
	Districts:	%	Districts:	%
1999	Sofia-capital, Plovdiv, Burgas	38.70	Vidin, Smolyan, Silistra	3.88
2006	Sofia-capital, Plovdiv, Varna	47.40	Vidin, Silistra, Yambol	3.05

Source: *Author's calculations on the basis of the National Statistical Institute data.*

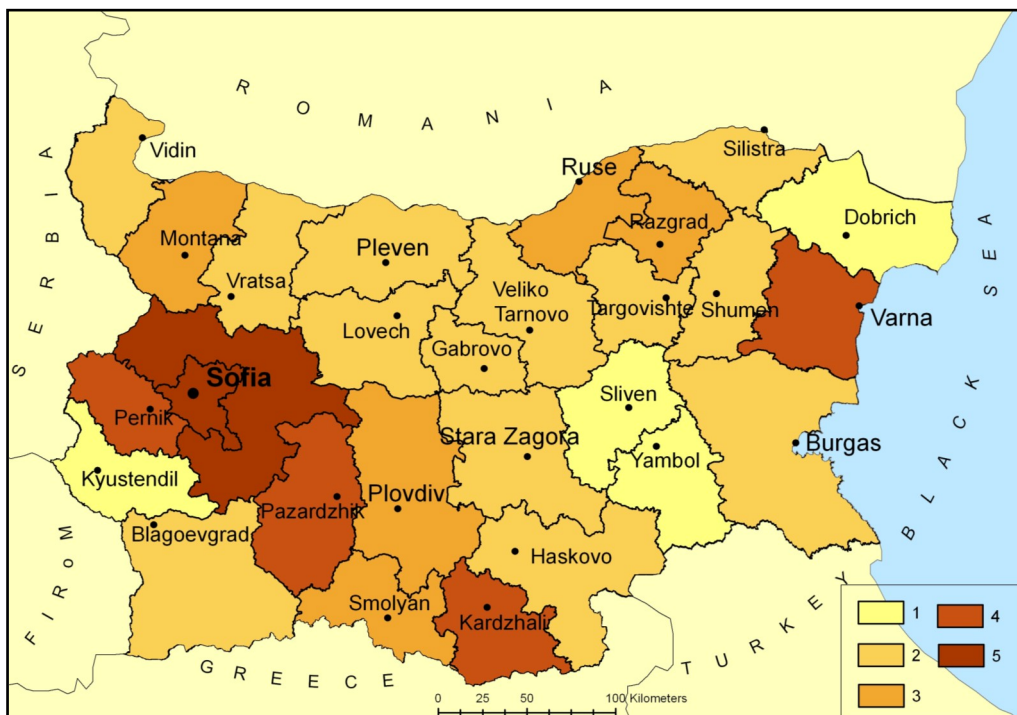
<sup>1)</sup>The table uses as criteria 10 % of the number of analysed territorial units. The first and the last ten districts cannot be taken into account because of the small total number of the districts in Bulgaria (28).

Differences in GDP per capita by administrative districts point to the existing intraregional differences (Fig. 1). With values higher than the national average (6411 leva per capita) in 2006 are only 3 territorial units - the capital of Sofia, Sofia district and Varna district. A comparison with 1999 shows a decrease in the number (from 4 to 3) and a change in the "composition" of this group. In 1999 in Sofia city, and in the districts of Stara Zagora, Burgas and Vratsa the value of the discussed indicator is higher than the average for the country. The number of areas, characterized by an indicator almost equal to the national average, is reduced from 4 in 1999 (Dobrich, Varna, Kyustendil, Gabrovo) to two in 2006 (Stara Zagora, Burgas). Thus the number of districts with an indicator below the national average has grown up during the investigated period from 20 (1999) to 23 (2006). This group includes districts with better developed industries and services (Ruse, Gabrovo, Vratsa, etc.) as well districts, facing significant economic problems in recent years (Razgrad, Kyustendil, Yambol, etc.). The group of districts with the lowest index is also changing, only Montana keeps its place in it. If we "transfer" at national level the European criterion, which considers as underdeveloped (problematic, backward) territorial units with less than 75% of GDP per capita (in our case in the country), then in 2006 the number of districts, that are below that level, grew almost twice as compared to 1999 - from 9 to 17. This comes to prove that some of the districts are lagging behind and as a result, the territorial differences between them are increasing.



**Fig.1 - Gross Domestic Product per capita by districts (2006, leva):**  
 1 – 3000-3999; 2 – 4000-4999; 3 – 5000-5999; 4 – 6000-8000; 5 – over 13000.  
 Source of data: *National Statistical Institute*

Another indicator, revealing how successful the transformation processes are in different districts, is the dynamics of changes of gross domestic product per capita in them (1999 =100) (Fig. 2). Gross domestic product increased in all districts but the pace of this growth is different. The comparison shows that only in 6 of the districts (the capital city of Sofia, Sofia, Pernik, Pazardzhik, Kardzhali, Varna) it is higher than the average for the country (225.7). Among them can be distinguished economically better developed districts (the capital city of Sofia, Sofia, Varna) and less developed ones (Pazardzhik, Kardzhali). What is striking is that only one of those areas is situated in northern Bulgaria (Varna) and the rest are in the south of the country. Only in two areas (Plovdiv, Smolyan) this increase is identical to the national average. In over two thirds of the districts (20) it is less than the national average. These processes indicate that most of Bulgaria's territory has slowed down the rate of its economic development.



**Fig. 2 - Dynamics of Gross Domestic Product per capita by Districts (1999-2006):**  
 1999 =100; 1 – 140-170; 2 – 170.1-200; 3 – 200.1-230; 4 – 230.1-260; 5 – over 260.1.  
 Source of data: *National Statistical Institute*

By comparing the positions of individual areas, significant differences can be noticed between the most and the least developed districts. The dispersion of areas has increased depending on their performance - from 60.4 (Kardzhali) to 173.1 (the capital city of Sofia, 1999), to 58.5 (Yambol) and to 207.7 (the capital city of Sofia, 2006). Besides, the scale of dispersion increases, too - up to 3.55 in 2006 (Table 2). A similar scale of dispersion between the least and most developed voivodships in Poland (1:3.4) is established by Czyz (1998). The annual differences between districts in Bulgaria are up to twice as great as those in the planning regions. Similar ratios and changes are found by Hungarian research scientists between

NUTS2 and NUTS3, ranked in the best and the worst position in Hungary in 1994-2000 (Hrubi 2002).

Table 2

<b>Differences between districts by Gross Domestic Product per capita</b>											
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
The best position to the worst position	2.87	2.21	2.51	3.02	2.63	3	*	*	*	*	3.55
The best position to the worst position without Sofia- capital	1.92	1.02	1.98	2	2.05	1.88	*	*	*	*	1.97
The best position to the second (best) position	1.4	1.02	1.27	1.51	1.28	1.6	*	*	*	*	1.80

\*- not calculated due to lack of data

Source: *Author's calculations on the basis of the National Statistical Institute data*

If the capital of Sofia is not taken into account, then the differences between the districts will decrease significantly, and the changes in the ratios between the districts in best and worst position will be negligible. The analysis shows that by 2000 the changes in the districts, ranked second, are more frequent than those concerning the areas in the worst position. Recently the gap between the poorest districts is relatively small and therefore different areas take turns, occupying the worst position.

For calculation of integral indicators for the different districts are selected 25 single indicators. Among the indicators such ones are selected that would enable not only to assess the results of the socio-economic transformation, but also the overall changes in these processes through the dynamics of changes in some indicators for which comparable information for the surveyed period (1999-2006 d .) is available. An analysis of the relationship between standardized values of GDP per capita, determined by many authors as the most important indicator for measuring the socio-economic transformation, and the other 24 selected indicators, shows different interactions between them. The indicators characterizing the dynamics of the GDP per capita, GVA structure, FDI per capita, fixed assets per capita, density of population and employment by areas, etc. (10 in number) have the lowest correlation coefficients - of -0,01 (dynamics of the unemployment rate) to 0.58 (dynamics of the share of services in GVA). The only exception is the dynamics of population density (0.65). Therefore, the indicators characterizing the dynamics of change are not included in the calculation of the integral indicator. The cluster analysis, using the method of nearest neighbour, characterizes the relationship between standardized values of these parameters (Fig. 3). The highest is the interdependence between GDP per capita, FDI per capita, the existing fixed assets and the expenditure on acquisition of tangible fixed assets per capita which form a cluster. The lowest is the interdependence between some indicators, characterizing the economic restructuring (e.g. the share of agriculture in GVA, GVA in the private sector) and the social impact of socio-economic transformation (e.g. the unemployment rate, the income per capita). Since these indicators are important for characterizing certain aspects of the transformation process, all 15 indicators are used to determine the integral index.

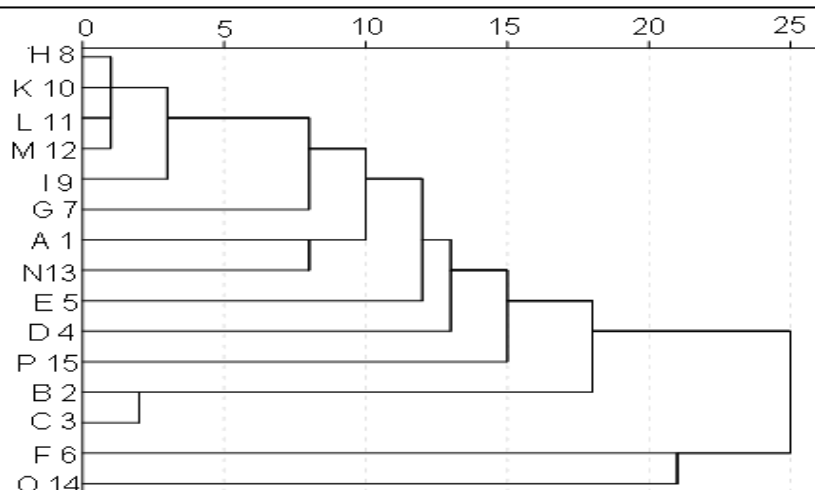


Fig. 3 - Dendrogram using the method of nearest neighbor

Indicators: A1 - share of employees in the private sector of the total number of employees; B2 - share of production of GVA in private sector; C3 - share of fixed assets in the private sector; D4 - share of the services in GVA; E5- share of the industry in GVA; F6 – share of the agriculture in GVA; G7 - number of enterprises, excl. financial, in 1000 persons of the population; H8 - GDP per capita; I9 - population density, K10 - FDI in the non-financial enterprises per capita; L11 - fixed assets in the non-financial enterprises per capita; M12 - expenditure on acquisition of tangible fixed assets in the non-financial enterprises sector per capita; N13 - employment rate; O14 - unemployment rate; P15 - income per capita.

Source: author's calculations based on National Statistical Institute data

The selected and applied 15 indicators can be conditionally divided into several groups. Taking into consideration the theoretical and methodological formulations for the study of transformation, the specific features of the ongoing processes and the availability of necessary information for their characterization, the calculated integral (synthetic) indicator for measuring the achieved degree of transformation in the different districts is sub-divided into four main components (integral intermediate indicators). Three of them, conventionally called "change of ownership" (I), "restructuring" (II), "obtained level of development and influencing factors" (III) feature various aspects of economic transformation and one, conventionally called "social consequences" (IV), refers to the social aspects of transformation (Table 3). The analysis of these four integral intermediate indicators makes it possible to assess them according to the territorial differences between the areas.

The first integral intermediate indicator ( $ZI_i$ ) characterizes the changes in ownership in each territorial unit as one of the major changes in the process of transformation. It is calculated on the basis of three indicators by using the following formula:

$$ZI_i = y_{i1} + y_{i2} + y_{i3}$$

where:

$y_{i1}$  - the standardized value of the share of employees in the private sector of the total number of employees in the i-s territorial unit;

$y_{i2}$  - the standardized value of the share of production in private sector gross value added

(GVA) in the i-s territorial unit;

$y_{i3}$  - the standardized value of the share of fixed assets in the private sector in the i-s territorial unit;

In order to determine the second integral intermediate indicator for the i-s territorial unit ( $ZII_i$ ), characterizing the process of economic restructuring, 4 indicators have been used:

$$ZII_i = y_{i4} + y_{i5} + y_{i6} + y_{i7}$$

where:

$y_{i4}$  - the standardized value of the share of the services in GVA in the i-s territorial unit;

$y_{i5}$  - the standardized value of the share of the industry in GVA in the i-s territorial unit;

$y_{i6}$  - the standardized value of the share of the agriculture in GVA in the i-s territorial unit;

$y_{i7}$  - the standardized value of the coefficient of entrepreneurship (number of enterprises, excl. financial, in 1000 persons of the population) in the i-s territorial unit;

The available information favors the application of 5 indicators for calculating the third integral intermediate indicator ( $ZIII_i$ ), characterizing the achieved level of development of the territorial units and some more important factors which speed up / slow down the transformation processes in each territorial unit:

$$ZIII_i = y_{i8} + y_{i9} + y_{i10} + y_{i11} + y_{i12}$$

where:

$y_{i8}$  - the standardized value of the GDP per capita in the i-s territorial unit;

$y_{i9}$  - the standardized value of the population density in the i-s territorial unit;

$y_{i10}$  - the standardized value of the FDI in the non-financial enterprises per capita in the i-s territorial unit;

$y_{i11}$  - the standardized value of the fixed assets in the non-financial enterprises per capita in the i-s territorial unit;

$y_{i12}$  - the standardized value of the expenditure on acquisition of tangible fixed assets in the non-financial enterprises sector per capita in the i-s territorial unit;

The fourth integral intermediate indicator for each territorial unit ( $ZIV_i$ ) characterizes the social consequences of transformation. The unemployment rate is in inverse proportion to the progress of transformation processes, so it has a minus sign in the formula used.

$$ZIV_i = y_{i13} - y_{i14} + y_{i15}$$

where:

$y_{i13}$  - the standardized value of the employment rate in the i-s territorial unit;

$y_{i14}$  - the standardized value of the unemployment rate in the i-s territorial unit;

$y_{i15}$  - the standardized value of the income per capita in the i-s territorial unit;

The analysis of these four synthetic intermediate indicators, conventionally called "change of ownership" (I), "restructuring" (II), "obtained level of development and influencing factors" (III) and "social consequences" (IV), makes it possible to assess them according to the territorial differences between the areas. As to the change in ownership, the differences between them are relatively small. The only exception is Vratsa district in which the state-owned manufacturing firms play an important role (NPP Kozlodui, etc.). According to the values of the second intermediate indicator, the best results in the economic restructuring have been achieved in the capital city of Sofia, and in the districts of Varna and Burgas. The most significant differences in the values of the intermediate indicator "obtained level of development and influencing factors", where the district of Sofia-city is remarkable for a very high positive value and 21 of the areas have negative ones - from -0,01 (Pernik) to -3.02 (Montana). There are essential differences in the values of the intermediate indicator characterizing the social consequences (Table 3).

Table 3

## Integral indicator of the achieved degree of socio-economic transformation by districts

Districts	Integral (synthetic) intermediate indicators, characterizing:				Integral (synthetic) indicator
	Change of ownership	Restructuring	Obtained level of development and influencing factors	Social consequences	
Vidin	-1.93	-0.27	-2.79	-2.86	-7.85
Vratsa	-10.96	-1.41	0.19	1.28	-10.90
Montana	-0.99	-0.76	-3.02	-1.90	-6.67
Lovech	0.95	-0.12	-1.47	0.75	0.11
Pleven	-0.32	-0.18	-2.15	0.59	-2.06
Veliko Tarnovo	1.01	0.01	-1.72	-0.90	-1.60
Gabrovo	2.45	0.61	-0.65	2.14	4.55
Ruse	2.09	-0.66	-0.04	1.29	2.68
Razgrad	-0.07	-0.35	-2.12	-3.13	-5.67
Silistra	-0.32	-0.11	-2.60	-1.46	-4.49
Varna	0.34	2.26	5.23	2.11	9.94
Dobrich	1.08	-0.05	-1.53	-1.23	-1.73
Targovishte	-0.07	-0.85	-1.65	-3.36	-6.03
Shumen	0.38	-0.39	-1.61	-0.52	-2.14
Burgas	1.59	1.64	2.94	1.60	7.77
Sliven	0.58	-0.25	-2.10	-0.80	-2.57
Yambol	1.16	0.01	-2.82	1.40	-0.25
Stara Zagora	-3.36	-0.41	3.16	0.13	-0.48
Kardzhali	-0.32	-0.51	-2.49	0.19	-3.13
Pazardzhik	1.32	-1.66	-1.75	1.50	-0.59
Plovdiv	1.31	0.28	1.17	0.57	3.33
Smolyan	1.53	0.70	-1.73	1.75	2.25
Haskovo	1.51	0.72	-2.41	0.14	-0.04
Blagoevgrad	0.42	0.47	-1.71	2.17	1.35
Kyustendil	-2.67	-0.08	-2.34	0.38	-4.71
Pernik	0.82	-0.74	-0.01	0.88	0.95
Sofia	2.65	-1.46	3.60	-0.91	3.88
<b>Sofia-capital</b>	<b>-0.87</b>	<b>2.47</b>	<b>22.52</b>	<b>4.69</b>	<b>28.81</b>

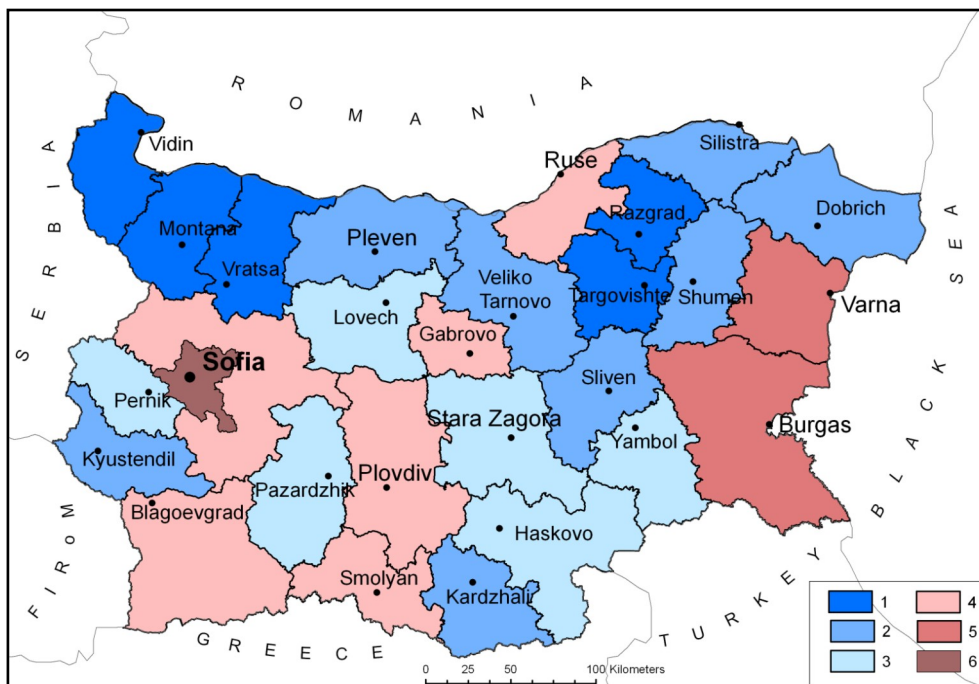
Source: Author's calculations on the basis of the National Statistical Institute data

The integral indicator allows to assess the regional differences depending on the aggregate effect of all indicators. An analysis of the calculated values by districts shows that they widely vary - from -10.90 (Vratsa) to 28.81 (Sofia-city). Only 11 of the areas have a positive value of the integral indicator, while the remaining 17 have a negative one (Table 3). These differences are a quite natural, resulting from the utilization of the existing socio-economic potential, from the transformation crisis in the early 1990s, from the disparities in the course of transformation processes, etc. The analysis shows that the majority of territorial units in North Bulgaria have negative (10 from 14 areas) or low values of the integral indicator (Lovech). The districts of Varna, Gabrovo and Ruse make an exception (Table 3). Most of the areas with positive values are located in South Bulgaria. This once again confirms the major territorial disparities between North and South Bulgaria. The differences between North and South Bulgaria are outlined by Stoyanov, Dimov (2006), who claim that "a stable south-to-north dichotomy in GDP is arising. The trend towards the increasing weight of the South is persistent, which demonstrates the growing imbalances" (after Stoyanov 2008, p. 367).

The highest value of the integral indicator is recorded in the capital city of Sofia. Similar is the place of Budapest as compared to the other territorial units in Hungary, where according to Enyedi (2005) „in economic performance, the most significant regional change has been the

outstanding success of the Budapest Metropolitan Region, producing a growing gap between the capital city and the rest of the country” (p. 19). The current situation, conditions and prospects for future developments give grounds to assume that the differences between the capital city of Sofia and other districts will grow in the coming years. The role of the capital cities in regional development, where are concentrated the most important elements of market economy, is observed by Horvath (2009) in almost all countries of Central and Eastern Europe. According this author this adverse and long territorial concentration must be changed. Fassmann (2000), Enyedi (2005), Tarkowski (2008), Stoyanov, Dimov (2006), Horvath (2009) and other authors emphasize in their own research the growing role of the capital, metropolitan and big cities in different countries.

Bulgaria’s districts Varna and Bourgas come second after Sofia with significantly lower integral indicators. The value of their integral indicators differ considerably from calculated values of other areas. Against the background of the other areas in Bulgaria, Sofia-capital, Varna and Burgas districts can be conditionally defined as winners from transformation. Of course, it goes without saying that in comparison with NUTS3 in the EU configuration, even the capital city of Sofia is among the EU underdeveloped territorial units of that type. With the lowest integral indicator are the districts of Vratsa, Vidin, Montana, Targovishte and Razgrad (Fig. 3). They can certainly be treated as the greatest losers from transformation.



**Fig. 4 - Achieved degree of the socio-economic transformation.**

Value of integral indicator: 1 – from -10.9 to -5.1; 2 – from -5 to -1.1; 3 – from -1 to 1; 4 – 1.1-5; 5 – 5.1-10; 6 – over 28.

Source: Author’s calculations on the basis of the National Statistical Institute data

An impact on the existing and growing regional disparities has the greater spatial differentiation

that existed earlier, in the period of planned economy. In Bulgaria as well as in other Central and East European countries during the period of territorial restructuring „the leading and backward areas have been developing at quite different paces, which indicates that the special structuring forces are now more differentiated than they were in the planned economy period. Back then, planned industrialization was to shape the economic potentials of the various regions; today, their economic development is influenced by the competitive sectors of industry and by adjoining services” (Horvath, 2009, c. 11). "In many respects regional disparities are exacerbated or significantly modified due to uneven crisis processes in different sectors and branches of national economy" (Roussev, 2005, p. 152).

The development of the transformation process has a definite influence on the polarization of development in different parts of the territorial units and thus on the formation of regional differences at a lower level. According to Horvath (2009) significant intra-regional disparities between districts and municipalities in Bulgaria indicate that „the regional development policy has so far failed to adequately address” (c. 12).

Szlachta (1993), Fassmann (2000), Enyedi (2005), Horvath (2009) and other authors identify as winners from the processes of transformation the metropolitan, capital and big cities, and as losers - the industrial cities or areas in which heavy and mining industries are dominant. To the “winners” Fassmann (2000) adds border and rural areas defined as islands of stability. Perhaps the latter is valid for some countries with smaller or more successful reforms in agriculture, but for Bulgaria this finding is not definitely confirmed. Enyedi (2005) and Horvath (2009) include the rural areas in the group of losers, too. Horvath (2009) regards as losers from this transformation the regions with extensive agriculture and suggests that this is a special East-European characteristic feature. This study shows that the districts, which embrace vast rural areas, have low values of the integral indicator, e. g. most of the districts in North Bulgaria (Fig. 3).

According to Fassmann (1997) one of the regional consequences of the transformation measures is the increased importance of urban centers as growth poles of the national economy. The largest agglomerations in Bulgaria - Sofia, Plovdiv, Varna-Devnya, Burgas-Kameno, are formed in area, characterized in this study by a high degree of socio-economic transformation (Fig. 3). As economically better developed, they are in a favorable situation, “have experienced more easily the difficulties of restructuring and have been given better chances to attract investors, including foreign ones ” (Parysek 1998a, p.40).

Of the other big cities in Bulgaria (Ruse, Stara Zagora, Pleven) only Pleven is a core of an urban agglomeration (Iliev, 1995). The calculated integral indicator for the district of Pleven is negative (Table 3). Further details of studies on the role of urban agglomerations and cities in Bulgaria in the process of transformation will allow to determine the effectiveness of the socio-economic transformation in them and the extent of their impact over the respective areas.

According to Tarkowski (2008) the regional differences according to the theory of polarization, must grow in the conditions of functioning market economy. As Czyz (1998) points out that during the transformation regional polarization of socio-economic development takes place, which is a challenge for an active regional policy. It will contribute a lot to the sustainable and balanced development of different territorial units in the country.

### Conclusions

This investigation presents the territorial differences of transformation process in Bulgaria by 28 districts (NUTS3) on the basis of analysis of a single indicator (GDP per capita) and the calculated values of integral indicator. Significant differences in the transformation process in the country are observed in its course in the individual units. They are more or less apparent depending on the available economic potential in them and its current state, on the degree of influence of factors at national and local level (geographical location, economic structure, attractiveness to foreign investment, demographic factors, created jobs, differences in income, infrastructure and communications, etc.), on differences in the rate of reforms, etc.

The study shows that the majority of territorial units in North Bulgaria have negative or low values of the integral indicator in contrast to the areas with positive values in South Bulgaria. This once again confirms the major territorial disparities between North and South Bulgaria. The best results in transformation are achieved in Sofia-capital, in Varna and Burgas districts. Against the background of the other areas in Bulgaria, Sofia-capital, Varna and Burgas districts can be conditionally defined as winners from transformation. But in comparison with NUTS3 in the EU configuration, even the capital city of Sofia is among the EU underdeveloped territorial units of that type. The districts with the lowest integral indicator (Vratsa, Vidin, Montana, Targovishte and Razgrad) can certainly be treated as the greatest losers from transformation.

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## DOES AN EFFICIENT BUSINESS REGULATORY ENVIRONMENT MATTER AT URBAN LEVEL? SOME EVIDENCE FROM CHINESE CITIES

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**Abstract:** It is widely acknowledged that firms require an efficient regulatory environment: if transaction costs generated by business regulations are not onerous, firms grow more and develop more quickly, attract more foreign direct investment, and employ more workers. But what does it induce alterations in the basic institutional framework? In this paper we intend to test North's thesis by which as trade expands and the size of the market grows, transaction costs increase requiring that more and more resources should be devoted to improving existing regulations and, then, reducing such costs. The paper is structured as follows. Section 1 introduces. Section 2 provides the theoretical background. Section 3, based on World Bank data on 30 Chinese cities, investigates whether there is a correlation at urban and provincial levels between efficient business regulations on one side and economic outcomes (gross domestic product, foreign direct investment, employment, etc.) on the other. Section 4 addresses the pilot question mentioned above and tests whether simpler and less costly ways of meeting legal requirements for starting and running a business are associated with long-run trade. Section 5 discusses results in the light of theoretically assumed causal links and proposes a 2SLS regression model, whereby a geographical instrumental variable is used to investigate the causal relationship between business regulations and exports.

**Key Words:** *business regulations, exports, income levels, urban level, China*

### Introduction

Nowadays there is a general consensus among economists that institutions (defined in North 1990 as "the rules of the game in a society" or "the humanly devised constraints that shape human interaction") are key determinants of countries' economic performances and help to explain prevailing patterns of prosperity and levels of GDP per capita (GDPpc) around the world.

Since the ground-breaking contributions by North and Thomas (1973) and North (1981), the impact of institutions on economic prosperity and growth has captured the interest of an increasing number of authors. All these authors inspired the research programs initiated by many institutions, including the World Bank, which started the major project, Doing Business, aimed at measuring transaction costs generated by business rules and administrative procedures applying to domestic small and medium-sized enterprises (SMEs). Nowadays, Doing Business is accepted as one the standard tools for quantifying the impact of regulations on economic activities. The goal underlying Doing Business is to corroborate the causal association between better institutions on one side and, respectively, economic prosperity and growth on the other based on statistical evidence: in this sense the statement in the report entitled Doing Business in 2006: Creating Jobs: "the indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why" (Doing

Business 2006, i).

To note that for better institutions the Doing Business team mean more efficient, in terms of generated transaction costs for firms, business rules and administrative procedures (such as completing business start-up formalities through a one-stop shop).

The reliance on such a theoretically assumed causal relationship between better institutions (i.e., more efficient business regulations) and economic outcomes implies the answer to a fundamental research question: What does it induce alteration in the basic institutional framework? We focus on a specific strand in the institutional theoretical frame. According to North (1991), as trade expands and the size of markets grows, transaction costs increase requiring that more and more resources should be devoted to improving existing regulations and, then, reducing such costs.

The paper is structured as follows. Section 1 introduces. Section 2 provides the theoretical background. Section 3, based on World Bank data on 30 Chinese cities, investigates whether there is a correlation between efficient business regulations on one side and, respectively, income levels and rates, exports, FDI and employment on the other. As far as we know there are not so many attempts to test such a correlation at urban and provincial levels. Section 4 addresses the pilot question mentioned above and tests whether simpler and less costly ways of meeting legal requirements for starting and running a business are associated with long-run trade: we proxy long-run trade in Chinese cities with the volume of urban level exports, estimated using a location quotient approach per number of employees in the manufacturing sector. Section 5 discusses correlations among our three sets of variables (long-run trade, business regulations and income levels) in the light of theoretically assumed causal links and proposes a 2SLS model between business regulations (dependent) and exports (independent) making use of a geographical variable (the inverse of closeness to sea of each capital times the number of ports in the related province) as instrument. Attempting to estimate the causal effect of exports on business regulations, we derive that the geographical variable affects the latter only through its effect on the former. If the inverse of closeness to sea times the number of ports only affects rules because it affects exports (holding other variables in the model fixed), correlation between the geographical variable and business rules is evidence that exports cause changes in the business regulatory environment. Our results, though preliminary and somehow speculative (lacking a larger dataset), intend to add to the literature on institutions and economic outcomes.

### **The theoretical background**

As stated by Acemoglu *et al.* (2001: 1369) developed countries with “better institutions, more secure property rights and less distortionary policies will invest more in physical and human capital, and will use these factors more efficiently to achieve a greater level of income” (in this sense, see also Jones 1981).

This view has received wide support from several cross-country studies investigating the correlation between institutions and aggregate incomes (see Hall and Jones 1999; Easterly and Levine 2003; Rodrik, Subramanian and Trebbi 2004). Since it is likely that rich economies choose or can afford better institutions, these latter constitute both the cause and the result of income levels. Nonetheless, as well stated by Rodrik (2004): “Institutions are causal in the sense that a poor country that is able to revise the rules of the game in the direction of strengthening the property rights of entrepreneurs and investors is likely to experience a lasting

increase in its productive capacity" (Rodrik 2004: 1).

Beyond the studies which have shown that institutions are associated to countries' prosperity, there are many researchers who concentrated on the link between institutions and economic growth (see, inter alia, Djankov *et al.* 2006, Stel *et al.* 2007, Ardagna and Lusardi 2008, Aldashev 2009).

In the late 1990s, while investigating the development of financial markets, La Porta *et al.* (1998) identified and constructed three blocks of variables: quality of countries' legal frameworks, development of financial markets and growth of economies. Assuming that the US model is the benchmark for "good" financial markets, and that extensive financial markets produce growth, the authors found a significant and positive correlation between the quality of countries' legal frameworks and economic growth. Since then interest in the impact of regulation on growth rates has increased: Djankov *et al.* (2002), for example, found that while the total cost of opening a medium-size business vary greatly among countries: for example, in 1999 this total cost was less than 0.02% of national GDPpc in the United States and around 4.95% in the Dominican Republic (see also Djankov *et al.* 2003; Botero *et al.* 2004; La Porta *et al.* 2006).

In 2003 La Porta, Lopez de Silanes, Shleifer, Vishny, and Djankov (the creator of the Doing Business project) transformed the model into a more general theory and published "The New Comparative Economics". In this work, the authors assumed a strict relationship between good rules and economic development and deduced that countries lacking protection for investors (because of weak legal rules or poor enforcement of rules) would suffer economically.

All these articles inspired the research program Doing Business by the World Bank. Its aim is to confirm the association between better institutions (meant as more efficient business regulations) on one side and, respectively, economic prosperity and growth on the other based on statistical evidence. Understanding the relevance of institutions on economic outcomes implies the answer to a fundamental research question: What does it induce alteration in the basic institutional framework?

According to North (1991), as trade expands and the size of markets grows, transaction costs increase requiring that more and more resources should be devoted to improving existing regulations and, then, reducing such costs. This thesis is rooted in the 1950s, when North (1955) suggested that the economic growth of a region is tied to the success of its export trade (he criticised the literature on the sequence of development stages in a region and stressed the relevance of exports). Several decades later North (1991) makes use of the concept of export base to emphasise the role of institutional structures based on reasoning related to the several stages of development in a local community. North (1991) starts with local exchanges in a village: in this context specialization is very low because most individuals are self-sufficient; an ensemble of informal social constraints determines low transaction costs which enable trade on a village scale. As specialisation increases and the size of the market grows beyond the single village the informal social network is replaced, and possibilities for conflicts over exchanges, and transaction costs, increase. In this stage of development, more resources are required to measure and enforce transactions. In North's (1991: 99) words:

"The growth of long distance trade poses two distinct transaction cost problems. One is a classical problem of agency, which historically was met by use of kin in long-distance trade

As the size and volume of trade grew, agency problems became an increasingly major dilemma. A second problem consisted of contract negotiation and enforcement in alien parts of the world, where there is no easily available way to achieve agreement and enforce contracts. Enforcement means not only such enforcement of agreements but also protection of the goods and services en route from pirates, brigands, and so on”.

North (1991: 100) concludes reasoning by underlining the need for formal rules:

“Such societies need effective, impersonal contract enforcement, because personal ties, voluntaristic constraints, and ostracism are no longer effective as more complex and impersonal forms of exchange emerge. It is not that these personal and social alternatives are unimportant; they are still significant even in today’s interdependent world. But in the absence of effective impersonal contracting, the gains from “defection” are great enough to forestall the development of complex exchange”.

North (1991: 109) provides the example of the Champagne Fairs (as representing long-distance trade in Europe) to show how some communities evolve from less complex to more complex forms of exchange:

“while a merchant at a medieval European Fair would certainly gain from acquiring [better information on opportunities and having greater bargaining skills than other traders, since profitable opportunities came from being better informed and being a more skilled bargainer than other traders], he would gain also from devising ways to bond fellow merchants, to establish merchant courts, to induce princes to protect goods from brigandage in return for revenue, to devise ways to discount bills of exchange. His investment in knowledge and skills would gradually and incrementally alter the basic institutional framework. Note that the institutional evolution entailed not only voluntary organizations that expanded trade and made exchange more productive, but also the development of the state to take over protection and enforcement of property rights as impersonal exchange made contract enforcement increasingly costly for voluntary organizations which lacked effective coercive power”.

At this stage it is useful to illustrate the adopted notion of institutions and our proposed extension to North’s thesis. First, in this paper institutions are business rules and administrative procedures related to starting a business, registering property, getting credit and enforcing contracts. Secondly, we share the view by which long-run trade implies more chances of conflicts, agency problems, commercial risks and uncertainty for firms: if this is true, public authorities need to activate for the provision of a more efficient business regulatory environment in order to compensate for the higher transaction costs which typically arise when business develops outside the urban or provincial borders. In other words, where long-run trade is high public authorities need to assist firms more efficiently generating lower transaction costs through adopted rules and procedures (i.e., one stop shop process for business start-up formalities; less expensive bureaucratic procedures; and so on).

#### **Transaction costs, business regulations and economic performance in Chinese cities**

The research project Doing Business in China 2008 provides quantitative measures of business regulations for SMEs in 30 Chinese cities in four areas or items: starting a business, registering property, getting credit (creating and registering collateral) and enforcing contracts.

In order to make data comparable across cities and/or countries, the Doing Business team studied a specific type of company - generally a limited liability company. In constructing indicators, the team assumes that entrepreneurs are knowledgeable about and comply with the regulations in place, although, in practice, entrepreneurs might decide to either become formal entities (spending time finding out where to go and what documents to submit) or remain in the informal economy (e.g. avoiding legally required procedures by not registering their property).

Doing Business encompasses two types of data: the first come from readings of laws and regulations; the second are "time and motion" indicators that measure the efficiency of achieving a regulatory goal. The time and motion indicators record cost estimates from official fee schedules where applicable. This builds on Hernando de Soto's work which applies this approach to show the obstacles to setting up a garment factory in the periphery of Lima in the 1980s. Some of the Doing Business indicators give higher scores for simpler and less costly ways of meeting legal requirements for starting and running a business.

The subnational Doing Business report on China captures differences in business regulations across 30 different cities: 22 provincial capitals (Hefei, Fuzhou, Lanzhou, Guangzhou, Guiyang, Haikou, Shijiazhuang, Harbin, Zhengzhou, Wuhan, Changsha, Nanjing, Nanchang, Changchun, Shenyang, Hangzhou, Xi'an, Jinan, Taiyuan, Chengdu, Kunming and Xining), 4 capitals of autonomous regions (Urumqi, Nanning, Yinchuan and Hohhot, respectively for Xinjiang, Guangxi, Ningxia and Inner Mongolia) and the 4 large municipalities of Beijing, Shanghai, Tianjin and Chongqing. For each of these cities, Table 1 presents the following information: number of procedures, number of days, costs (as a percentage of GDPpc in the location) and minimum capital investment (as a percentage of GDPpc) required to start a new business; number of procedures, number of days, costs (as a percentage of property value) required to register a property; number of days and costs of setting up a credit guarantee (calculated as a percentage of the loan value); number of procedures, number of days and costs (as a percentage of the debt) to enforce a contract.

Measured by the above indicators, coastal cities perform better than cities in other geographic regions. According to the methodology used by Doing Business, rankings are calculated by ordering the resulting average of the percentile rankings of each city for each of the four items (starting a business, registering property, getting credit, and enforcing a contract). The rankings for each item are based on the simple average of the percentile rankings of its component indicators: thus, the ranking for "starting a business" is an average of the city's ranking for number of procedures, number of days, costs and minimum capital requirement to register a business (on the methodology, see Djankov *et al.* 2004). In short, lower values of the percentile rankings would indicate more efficient business rules and administrative procedures: to bear in mind that in what follows we multiply times -1 to get higher values for more efficient regulations. For example, the Province of Jiangsu (Najising City) in the southeast scores 0.04 in the percentile ranking for ease of starting a business (then, in our empirical investigation it becomes -0.04), 0.19 for ease of registering the property (-0.19), 0.03 for obtaining credit (-0.03), 0.07 for contract enforcement (-0.07), giving an overall 0.09 for ease of doing business in China (- 0.09), making it the best performer in China.

We test the thesis underlying Doing Business: when business regulations are particularly onerous, in terms of time and cost, the size of the informal sector grows. Informal activity implies that firms typically grow less and grow more slowly, attract less FDI, employ fewer workers, and so on. We use urban level data and link some basic economic indicators

Table 1

## Business regulations in 30 Chinese cities

City	Regions	Geographic regions	Starting a business			Registering property			Getting credit		Enforcing contracts			
			Procedures (number)	Time (days)	Cost (% of income per capita)	Paid in Min. Capital (% of GNI per capita)	Procedures (number)	Time (days)	Cost (% of property value)	Time to create a guaranty (days)	Cost to create a guaranty (% of loan value)	Procedures (number)	Time (days)	Cost (% of debt)
Hefei	Anhui	Central	14	42	19.39%	348.86%	10	46	5.55%	20	2.79%	31	300	41.79%
Beijing	Beijing	Bohai Bay	14	37	3.22%	200.00%	10	59	3.11%	15	2.68%	31	340	9.63%
Chongqing	Chongqing	Southwest	14	39	9.53%	273.27%	7	28	7.01%	15	5.00%	31	286	14.75%
Fuzhou	Fujian	Southeast	12	40	6.70%	200.00%	7	37	4.12%	7	2.27%	31	342	13.74%
Lanzhou	Gansu	Northwest	14	47	14.14%	408.66%	10	78	7.75%	20	7.97%	31	440	29.87%
Guangzhou	Guangdong	Southeast	13	28	6.30%	200.00%	8	35	3.67%	11	2.37%	31	120	9.72%
Nanning	Guangxi	Southwest	14	46	16.53%	342.39%	12	66	6.84%	47	3.94%	31	397	17.11%
Guiyang	Guizhou	Southwest	14	50	26.59%	605.20%	9	77	12.62%	17	6.91%	31	397	22.99%
Haikou	Hainan	Southwest	13	38	12.08%	273.22%	10	76	4.77%	14	5.07%	31	310	14.50%
Shijiazhuang	Hebei	Bohai Bay	14	42	9.84%	202.51%	10	58	5.19%	15	2.84%	31	397	12.22%
Harbin	Heilongjiang	Northwest	14	42	11.88%	207.90%	8	55	6.10%	13	3.12%	31	290	31.52%
Zhengzhou	Henan	Central	13	41	11.65%	267.00%	11	60	5.10%	16	3.29%	31	285	31.47%
Wuhan	Hunan	Central	13	36	13.64%	300.81%	9	60	6.22%	13	3.31%	31	277	33.10%
Changsha	Inner-Mongolia	Central	14	42	14.58%	289.41%	10	53	6.92%	20	3.70%	31	362	26.65%
Hohhot	Jiangsu	Northwest	14	48	7.90%	200.00%	11	47	4.61%	15	3.31%	31	330	23.74%
Nanjing	Jilin	Southeast	12	31	5.85%	200.00%	7	31	4.61%	10	2.10%	31	112	13.59%
Nanchang	Liaoning	Central	14	40	14.55%	377.63%	10	50	6.13%	17	5.92%	31	365	16.47%
Changchun	Ningxia	Northwest	14	37	9.48%	224.77%	8	55	4.19%	22	3.25%	31	540	18.40%
Shenyang	Qinghai	Northwest	14	41	6.01%	200.00%	12	51	3.13%	20	2.82%	31	260	24.80%
Yinchuan	Shaanxi	Northwest	14	55	11.97%	335.63%	10	59	4.44%	25	3.64%	31	270	28.75%
Xining	Shandong	Northwest	14	51	12.04%	298.72%	8	69	5.33%	20	3.79%	31	458	24.82%
Xian	Shanghai	Bohai Bay	14	43	15.20%	304.75%	8	50	5.05%	21	4.00%	31	235	21.69%
Jinan	Shanxi	Southeast	13	33	5.98%	200.00%	8	39	4.06%	10	2.86%	31	210	21.96%
Shanghai	Sichuan	Northwest	14	35	4.76%	200.00%	4	29	3.61%	8	2.95%	31	292	8.96%
Taiyuan	Tianjin	Southwest	14	55	9.31%	243.51%	10	62	5.41%	16	2.86%	31	300	26.38%
Chengdu	Xinjiang	Bohai Bay	13	35	19.09%	354.40%	11	39	3.89%	12	3.20%	31	295	35.47%
Tianjin	Yunnan	Northwest	14	41	3.70%	200.00%	5	42	4.44%	14	2.73%	31	300	11.33%
Urumqi	Zhejiang	Southwest	13	44	9.00%	230.24%	11	45	4.20%	24	3.40%	31	392	20.50%
Kunming		Southwest	14	42	13.92%	383.00%	9	66	5.37%	18	4.00%	31	365	36.42%
Hangzhou		Southwest	12	31	5.66%	200.00%	8	50	3.69%	11	3.00%	31	285	11.24%

Source: World Bank (2008)

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(logarithmic transformations of, respectively, income levels, growth rates, FDI and employment) to institutional performance, meant as more efficient business regulations (see Table 4). For institutional performance, we average the percentile rankings for each item, that is, the average of the percentile rankings of the component indicators times -1 (see last column in Table 2).

*Table 2*

**Institutional variables in Chinese cities: percentile rankings for each area**

Region (province)	City	Ease of starting a business (percentile)	Ease of registering property (percentile)	Ease of getting credit (percentile)	Ease of enforcing contracts (percentile)	Ease of doing business in China (percentile)
Anhui	Hefei	0.68	0.52	0.43	0.48	(-)0.53
Beijing	Beijing	0.15	0.39	0.24	0.22	(-)0.25
Chongqing	Chongqing	0.43	0.33	0.62	0.21	(-)0.40
Fujian	Fuzhou	0.16	0.15	0.02	0.30	(-)0.16
Gansu	Lanzhou	0.72	0.83	0.84	0.57	(-)0.74
Guangdong	Guangzhou	0.09	0.13	0.10	0.03	(-)0.09
Guangxi	Nanning	0.72	0.88	0.88	0.40	(-)0.72
Guizhou	Guiyang	0.81	0.79	0.78	0.46	(-)0.71
Hainan	Haikou	0.40	0.64	0.60	0.28	(-)0.48
Hebei	Shijiazhuang	0.43	0.57	0.31	0.33	(-)0.41
Heilongjiang	Harbin	0.46	0.49	0.33	0.40	(-)0.42
Henan	Zhengzhou	0.40	0.70	0.52	0.36	(-)0.49
Hubei	Wuhan	0.42	0.65	0.40	0.37	(-)0.46
Hunan	Changsha	0.59	0.64	0.69	0.49	(-)0.60
Inner-Mongolia	Hohhot	0.38	0.53	0.48	0.39	(-)0.45
Jiangsu	Nanjing	0.04	0.19	0.03	0.07	(-)0.09
Jiangxi	Nanchang	0.57	0.56	0.76	0.34	(-)0.56
Jilin	Changchun	0.35	0.33	0.69	0.47	(-)0.46
Liaoning	Shenyang	0.25	0.49	0.45	0.25	(-)0.36
Ningxia	Yinchuan	0.67	0.51	0.81	0.31	(-)0.57
Qinghai	Xining	0.64	0.56	0.71	0.54	(-)0.61
Shaanxi	Xi'an	0.66	0.36	0.83	0.20	(-)0.51
Shandong	Jinan	0.09	0.18	0.19	0.20	(-)0.17
Shanghai	Shanghai	0.14	0.03	0.19	0.13	(-)0.12
Shanxi	Taiyuan	0.54	0.67	0.40	0.38	(-)0.50
Sichuan	Chengdu	0.52	0.39	0.33	0.45	(-)0.42
Tianjin	Tianjin	0.21	0.22	0.22	0.20	(-)0.21
Xinjiang	Urumqi	0.41	0.47	0.78	0.41	(-)0.52
Yunnan	Kunming	0.64	0.63	0.72	0.55	(-)0.64
Zhejiang	Hangzhou	0.03	0.23	0.26	0.11	(-)0.16

Source: *World Bank (2008)*

Table 3 shows data on the economic performance of Chinese provinces, autonomous regions and large municipalities: GDP (expressed in 100 millions of yuan) at year 2008, "GDP"; GDP per capita (yuan per person) at year 2008, "GDPpc"; Primary Industry Percentage (expressed in 100 millions of yuan), "I ind"; Secondary Industry Percentage (expressed in 100 millions of yuan), "II ind"; Tertiary Industry Percentage (expressed in 100 millions of yuan), "III ind"; Variation on percentage of GDP per capita between 1996 and 2008, " $\Delta$ GDPpc"; Amount of foreign capital utilised (expressed in USD 10,000s) in 2007, "FC"; Employment (in 10,000 of persons) at 2007, "Emp".

We estimate the degree of association between the variables in terms of their linear dependence. We do not assume any aprioristic cause-and-effect relationship between them.

Table 3

## GDP, FDIs and employment in 30 Chinese cities

Region (province)	GDP	ΔGDP	I ind	II ind	III ind	GDPpc	Emp	ΔGDPpc	FC
Anhui	8,874.17	1.205	1,418.08	4,137.35	3,318.74	14,485.00	28.437	1.203	299,892.0
Beijing	10,488.05	1.121	112.83	2,693.15	7,682.07	63,029.00	335.371	1.083	506,572.0
Chongqing	5,096.66	1.236	575.4	2,433.27	2,087.99	18,025.00	132.597	1.230	122,011.0
Fujian	10,823.11	1.170	1,157.75	5,415.77	4,249.59	30,123.00	58.652	1.163	-
Gansu	3,176.11	1.175	463	1,471.43	1,241.68	12,110.00	38.587	1.171	38,202.00
Guangdong	35,696.46	1.148	1,970.23	18,402.64	15,323.59	37,589.00	143.912	1.134	1,961,771.0
Guangxi	7,171.58	1.204	1,453.90	3,037.74	2,679.94	14,966.00	36.962	1.192	94,396.00
Guizhou	3,333.40	1.216	547.85	1,408.71	1,376.84	8,824.00	37.185	1.276	15,333.00
Hainan	1,459.23	1.193	437.61	434.4	587.22	17,175.00	14.080	1.180	112,499.0
Heilongjiang	16,188.61	1.181	2,034.60	8,777.42	5,376.59	23,239.00	50.118	1.169	300,722.00
Heilongjiang	8,310.00	1.176	1,089.10	4,365.90	2,855.00	21,727.00	100.800	1.176	216,908.0
Henan	18,407.78	1.226	2,658.80	10,477.92	5,271.06	19,593.00	42.562	1.224	-
Hubei	11,330.38	1.227	1,780.00	4,963.61	4,586.77	19,860.00	112.146	1.225	-
Hu'nan	11,156.64	1.213	2,007.40	4,933.08	4,216.16	17,521.00	51.409	1.209	356,400.0
Inner Mongolia	7,761.80	1.274	906.98	4,271.03	2,583.79	32,214.00	12.406	1.269	238,780.0
Jiangsu	30,312.61	1.178	2,100.00	16,663.81	11,548.80	39,622.00	57.802	1.168	-
Jiangxi	6,480.33	1.178	1,060.38	3,414.88	2,005.07	14,781.00	34.501	1.170	-
Jilin	6,424.06	1.216	916.7	3,064.63	2,442.73	23,514.00	63.485	1.213	227,062.0
Liaoning	13,461.57	1.221	1,302.00	7,512.11	4,647.46	31,259.00	68.617	1.215	909,673.0
Ningxia	1,098.51	1.235	120	581.24	397.27	17,892.00	8.357	1.221	16,968.00
Qinghai	961.53	1.227	105.58	529.4	326.55	17,389.00	9.271	1.220	-
Shaanxi	6,851.32	1.253	753.72	3,842.08	2,255.52	18,246.00	91.819	1.249	119,516.0
Shandong	31,072.06	1.197	3,002.65	17,702.17	10,367.23	33,083.00	78.876	1.190	-
Shanghai	13,698.15	1.124	111.80	6,235.92	7,350.43	73,124.00	252.816	1.102	792,000.0
Shanxi	6,938.73	1.210	302.48	4,265.77	2,370.48	20,398.00	21.460	1.204	191,471.0
Sichuan	12,506.25	1.190	2,366.15	5,790.10	4,350.00	15,378.00	87.959	1.193	201,169.0
Tianjin	6,354.38	1.258	122:58:00	3,821.07	2,410.73	55,473.00	135.576	1.203	546,033.0
Xinjiang	4,203.41	1.193	691.1	2,086.74	1,425.57	19,893.00	18.796	1.170	-
Yunnan	5,700.10	1.202	1,020.94	2,451.09	2,228.07	12,587.00	49.587	1.194	55,233.00
Zhejiang	21,486.92	1.144	1,095.43	11,580.33	8,811.17	42,214.00	97.637	1.128	1,432,049.0

Source: China Data Online (2010), at chinadataonline.org

Table 4

## Correlation between institutional variables and economic indicators\*

	GDP	I ind	II ind	III ind
Ease Doing Business in China	0.655	-0.049	0.642	0.698
	GDPpc	ΔGDPpc	FC	Emp
Ease Doing Business in China	0.868	-0.548	0.835	0.583

\* Log transformation

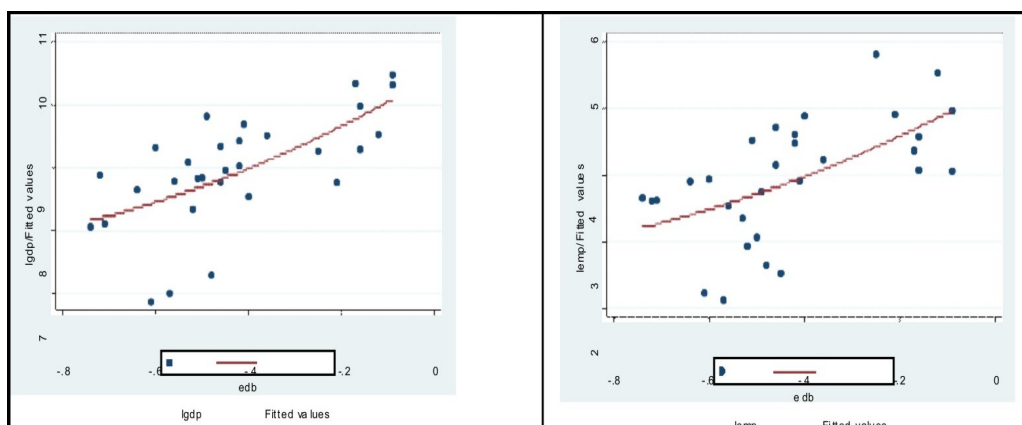
The degree of association between the degree of transaction costs generated by business regulations (*i.e.*, institutional performance) and GDP, GDPpc, II ind (manufacturing), III ind (services), FC (our proxy for FDI) is strong. Such results provide preliminary evidence in support of the underlying assumption in Doing Business: firms typically grow more (GDP, GDPpc), attract more FDI and employ more workers (Emp) in the presence of lower transaction costs associated to legal requirements for starting and running a business. As expected, the secondary and tertiary sectors of the economy are crucial for similar analyses. In some cases the correlation values are considerably low or irrelevant: for example, for the association between institutional performance and, respectively, Emp (employment) and I ind (primary industry).

Note in Figure 1 the shape of the fitted lines of correlations between institutional performance

and, respectively, logarithms of GDP and Emp. If we take the latter variables as our dependent variables and the institutional percentile rankings as explaining the simple regressions, then exponential, rather than linear models would produce slightly better results in terms of goodness of fit.

The shape of the fitted lines suggests the existence of a higher association between institutional variables and economic performance in those cities that perform better in terms of business regulations: this element becomes relevant when we discuss about exports in section 4.

This interpretation finds further support in the fact that the four large municipalities of Beijing, Shanghai, Tianjin and Chongqing get high values of the ease of doing business but relatively low values of GDP. This is because the levels of GDP in these municipal areas (calculated on the municipal scale) are lower than in the larger areas, such as provinces and autonomous regions (calculated at provincial or regional levels). If we consider that manufacturing represents a large share of the Chinese economy, this is no surprise: we can assume that the bigger the geographic area that we consider, the higher is the number of firms and the level of GDP in that area. Adjusting for such a circumstance allows to provide stronger empirical support.



**Fig.1 - Business regulations and logarithms of GDP and Emp**

It is somewhat unexpected the negative correspondence between business regulations and variation in the percentage of GDPpc between 1996 and 2008 (- 0.548). Djankov et al. (2006), for example, suggest that countries with better business regulations grow faster: according to these authors moving from the worst quartile of business regulation to the best implies a 2.3 percentage point increase in annual growth<sup>1)</sup>.

How do we explain such poor results with regards to Chinese cities? In all evidence the catch-up effect is strong. As well known, GDPpc increases at a faster rate in developing areas than in developed ones. Thus, all regional economies should eventually converge. One reason to expect this effect to take place is that workers in poor regions have little access to capital, so

1) Note that the tests carried out by Djankov *et al.* (2006) provide a very poor indication that business regulations are statistically associated to the rate of growth of GDPpc: the R-squared is surprisingly low, with a value of 0.09 for the basic regression model.

their productivity is generally low; huge gains in productivity would result from only a small increase in the amount of capital. Otherwise, developed areas (with high levels of capital and high levels of productivity) would enjoy much smaller gains from similar increases in capital.

To discern the impact of more efficient business regulations on the rates of urban and regional growth it would have been useful to have a longer time series, across several decades, and information on further variables. However, the quite recent transition from a planned to a mixed economy does not allow for a historical inquiry into the interdependence between institutional change and economic outcomes at urban and provincial levels.

### **Trade, market size and better institutions**

But what does it induce alterations in the basic institutional framework? To North long-run trade plays a major role. In our view, the answer to such a research question might shed some light on the causal relationship between institutions and economic performance.

According to the export-base framework, a region's economic activities fall into two broad categories: those related to production for the export market, and those that produce for the local market. The prosperity of a geographic area depends on the success of the former (North 1955). Theoretically, activities related to export constitute the export-base, that is, the major autonomous variable determining the level of regional GDP. Given these (basic or) export activities, the level of (non-basic or) domestic activities follows. At an applied level, two kinds of limitations need to be considered: one is related to the methodology<sup>2)</sup>, the other is related to the geographical dimension. There is unanimous agreement that the significance of exports to explain regional income levels depends also on the size of the region. For example, in large regions with high levels of internal trade the quantitative relevance of exports decreases. Therefore, it is fundamental to define functional economic areas: areas with well-defined metropolitan cores, surrounded by non-metropolitan areas (see Beyers 2005)<sup>3)</sup>. We use the administrative municipality as the level of aggregation to define the export-base of Chinese cities.

Exports of Chinese cities represent a good proxy for long-run trade. Several methods are available to estimate exports: the assumption method, the location quotient (LQ) approach, and the minimum requirements approach<sup>4)</sup>. For the purpose of this paper we use LQ and data on employment estimated for 14 industries at the urban level<sup>5)</sup>. We are aware of the

2) Exports are not the most important autonomous variable determining regional income: business investment, government expenditure and the volume of residential construction represent fundamental levers.

3) In his work on the economic base of regional economies in the United States, Beyers aggregates the 3,141 counties into 172 regions, most of which have a metropolitan core and a non-metropolitan periphery.

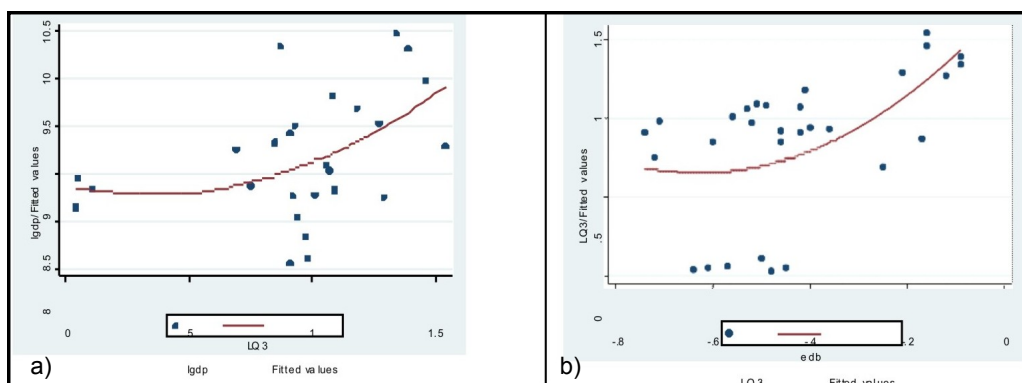
4) Our location quotient approach (LQ) develops around the interpretation of this ratio:  $LQ = (e_{im} / e_m) / (E_{in} / E_n)$ , where  $e_{im}$  = employment in industry  $i$  at municipal level;  $e_m$  = total employment at municipal level;  $E_{in}$  = employment in industry  $i$  at national level (the benchmark);  $E_n$  = total employment at national level.

5) The 14 sectors are (within parentheses the abbreviation used in Table 6): Farming, Forestry, Animal Husbandry, Fishery (LQ1); Mining and Quarrying (LQ2); Manufacturing (LQ3); Electric Power, Gas and Water Production and Supply (LQ4); Construction (LQ5); Transportation, Storage, Post and Telecommunications (LQ6); Wholesale & Retail Trade (LQ7); Banking and Insurance (LQ8); Real Estate (LQ9); Social Services (LQ10); Public Management and Social Organization (LQ11); Scientific Research,

growing contribution of the tertiary sector (services) to the export-base: Beyers and Alvine (1985) show within producer services the strength of the traded component, and it is now recognised that many lines of services are based on demand from both local clients and those located at a distance. However, this applies less to Chinese cities where the relevance of the secondary industry is unquestionable: the sum of all the location quotients calculated at the urban level for manufacturing shows the highest scores as 89,363 compared to 7,754 for “Transportation, Storage, Posts and Telecommunications”, 48,912 for “Wholesale & Retail Trade” and 54,061 for “Banking and Insurance”.

Therefore, lacking a more detailed classification of “producer services” (those service activities with a more developed traded component, see Beyers 2005) we include “Manufacturing” (LQ3) in the calculation of the LQs (this choice is consistent with several studies on China’s industrial structure and exports).

Exports are positively correlated to GDP ( $r$  is 0.648) and to our institutional variable ( $r$  is 0.532). As mentioned above, the shape of the fitted lines between the potential for manufacturing exports (LQ3) and, respectively, GDP and business regulations, would suggest the use of quadratic, rather than simple linear, regression models. In Figure 2 we excluded the outliers of Hainan, Ningxia and Qinghai with very low GDP levels. We also observe that a higher coefficient of correlation between exports and GDP might be obtained by considering that the four large municipalities present relatively lower income values (below the fitted line) compared to larger (provincial or regional) areas.



**Fig. 2 - Exports and GDP, and business regulations quadratic**

Moreover, there is a cluster of outliers, which include the areas of Qinghai, Yunnan, Ningxia, Inner Mongolia, Hainan and Shanxi. These areas are located predominantly in the centre of China, have poor business regulations and low performance at the urban level in terms of exports: omitting these observations, the correlation coefficient of exports and business regulations increases to 0.625.

The fact that exports are correlated to efficient business regulations is in line with evidence in McMillan and Woodruff (1999): according to these authors firms are more likely to make use of better institutions (in their study, written contracts to protect transactions) when their customers

Technical Service and Geologic Prospecting (LQ12); Management of Water Conservancy, Environment and Public Facilities (LQ13); Health, Social Security and Social Welfare (LQ14).

are located distantly. Also Hu and Qiu (2010) corroborate such a result by finding that Chinese firms with a considerable percentage of business outside their main location are more likely to use formal contracts.

Is this a preliminary finding in favour of the North's thesis about induced alterations in the institutional framework of a certain agglomeration? Of course, we use the current level of exports as proxy for the initial capacity of the urban agglomerations to trade on the long-run. As mentioned in section 1 coastal cities perform better, in terms of business regulations, than cities in other geographic regions. In the next section we make use of this information to add a geographical variable, the inverse of closeness to sea times the number of ports, to investigate the causal relationship between business regulations and income levels.

### Discussion of results

We have provided some correlations, pure "symmetric" relationships, and tested the following statements:

- exports are positively associated to economic performance (i.e., to logarithm of GDP;  $r_{\text{exp-eco}} = 0.648$ );
- business regulations are positively associated to economic performance (including GDP levels ( $r_{\text{inst-eco}} = 0.655$ ), amount of FDI, levels of formal employment, and so on);
- exports are positively associated to institutional performance ( $r_{\text{exp-inst}} = 0.532$  or  $0.625$ ).

Next we concentrate on the correlation between exports and GDP to provide some insights on the central role of business regulations. Once we ascertained the existence of a link also between exports and institutional variables, we became suspicious about the first correlation: What can we conclude about the relationship between exports and GDP? The coefficient of correlation between exports and GDP (observed at the local level) is different from zero and significant (0.648). According to the export-base frame, regional long-run growth depends on the success of its exports. However, we might suspect that the coefficient of correlation could derive from "spurious" causes. We thus introduce our third variable, institutional performance, and conjecture that it might account for the observed correlation between exports and GDP.

We compute the partial correlation between exports and GDP, with the institutional variable held constant, and compare it with the zero-order correlation: since the former is significantly lower ( $r_{\text{exp-eco.inst}} = 0.469$ ) and the latter is not, we could conclude: a) that institutions are an intervening variable (the supposed causal effect of exports on GDP operates through business regulations), or b) that  $r_{\text{exp-eco}}$  results from the hypothesized joint causal effect of institutions on both (exports and GDP) and, hence, this correlation is spurious.

Restraining from theoretical propositions we could not say whether the causal arrow runs from exports to institutions or vice versa, from institutions to economic performance or vice versa, and from economic performance to exports or vice versa. Without time series data for our institutional variable, we cannot apply the Granger causality test and with no further information at regional, provincial and local level we cannot make use of instrumental variables. Therefore, we cannot know whether we have case a) or case b). Relying on the different theoretical frames presented above and summarized in Table 5, we can assume asymmetric (i.e., set the causal arrows for) relationships as on the graphs in Figure 3. More specifically, we can check for the fitness of cases a) and b), exclude the latter (as in North 1991 which assumes that exports bring institutions, and not the reverse) and accept the

former: institutions are an intervening variable, that is the causal effect of exports on GDP operates also through business regulations.

Table 5

**Theoretical propositions at stake**

“North 1955” (Export-base)	Exports bring GDP
“North 1981” (Institutional perspective)	Institutions bring GDP
“North 1991”	Exports bring institutions

In other words, what would matter for China’s long-run growth is not just the volume of exports or the “quality” of these exports or the subsidization of investments in new products (see Rodrick 2006 and Herrerias and Orts 2010 among many others): also business regulations are crucial. This would suggest that simplified and less costly ways of implementing existing regulations (such as completing business start-up formalities in a one-stop shop or lower cost bureaucracy) exert an essential role in the sustainability of China’s export-oriented model. And this has evident implications at the urban as well as the national levels.

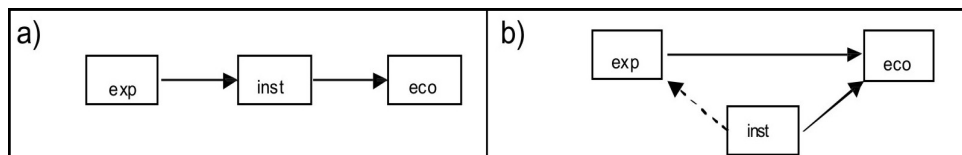


Fig. 3 - Exports and GDP: a spurious correlation?

If we do not rely on any theoretically assumed causal relationships, we need to test a 2SLS model between business regulations (dependent) and exports (independent, instrumented variable) making use of the inverse of closeness to sea of each capital times the number of ports in the related province (closeport) as instrumental variable. In literature several geographical/ecological variables have been used as instruments in investigating the causal relationship between institutions and economic outcomes: settler mortality, population density in 1500, latitude, landlock area, and so on.

Attempting to estimate the causal effect of exports on business regulations, we derive that closeport affects the latter only through its effect on the former. If the instrument only affects business regulations because it affects exports (holding other variables in the model fixed), correlation between the geographical variable and business regulations is evidence that exports cause changes in the business regulatory environment. This instrument has the property that changes in closeport are associated with changes in exports (exp) but do not lead to change in business regulations (inst), aside from the indirect route via exports.

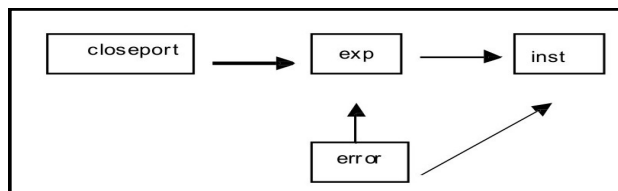


Fig. 4 - Instrumental variable, exports and institutions

Closeport is associated with exports but not with the error term ( $u$ ) of the OLS regression model with dependent variable *inst* and *exp* as single regressor<sup>6</sup>). Results of the 2SLS regression model are encouraging as shown in table 6 and, despite the very limited number of observed Chinese cities, invite to further empirical investigation.

Table 6

Instrumental variable (2SLS) regression						
Source	SS	df	MS	Number of obs = 30		
				F (1, 28) = 7.12		
Model	.219	1	.219	Prob > F = 0.012		
Residual	.846	28	.030	R-squared = 0.205		
				Adj R-squared = 0.177		
Total	1.065	29	.036	Root MSE = .174		
<i>inst</i>	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
<i>exp</i>	-.342	.128	-2.67	0.013	-.606	-.079
<i>_cons</i>	.720	.114	6.29	0.000	.486	.955
Instrumented: <i>exp</i>						
Instruments: <i>closeport</i>						

Since urban “essentials” determine regional and national prosperity and growth, cities are fundamental levers, characterised not only in terms of tangible (i.e., transport infrastructures) but also in terms of intangible assets, business regulations and their administrative procedures, as well as human and social capital, etc (on the relevance of institutional capital, knowledge capital and human capital as a driving force of China’s economic development see Wang and Hu 2007; on a more general level, see World Bank 2000).

The shape of the fitted lines is interesting: here we refer to figure 2 (b), which combines exports and institutional performance. It appears that business regulations are strongly correlated to local exports, but not with the same intensity everywhere: all cities export, prosper and grow but it seems that in some areas institutions are not one of the factors associated to the competitive advantage or, if present, carry less weight.

Let consider our data on Chinese cities (cross-section) as a time-series in which each data per city represent different steps in the evolution of a benchmark urban area, which changes and develops over time. Let us assume that the values attached to the most developed cities, such as Nanjing and Chongqing, represent the last steps in this urban transformation (replicating the North’s reasoning in section 2 on the implications of long distance trade), while the values attached to the least developed areas correspond to its first stages. The result, as seen, are non-linear or “kinked” (linear with discontinuities) curves depicting the relationship between exports and business regulations: there is no one single model applicable to all geographic areas.

From this point of view we suggest that if until recently the benchmark urban area has grown

6) The second assumption excludes the instrument from being a regressor in the model for *inst*, since if instead *inst* depended on both *exp* and *closeport* and *inst* is regressed on *exp* alone then *closeport* is being absorbed into  $u$  so that the instrument will then be correlated with the error.

*Does an Efficient Business Regulatory Environment Matter at Urban Level ? Some Evidence from Chinese City*

based on poor or no business regulations, to continue its development along a sustainable path, it must exploit efficient business regulations. This applies to studies comparing urban as well as country level data, and calls for further theoretical and empirical investigations. Our small sample of Chinese cities shows that there are two clusters: one containing those cities that perform better in economic performance (basically, exports) and business regulations terms, and one that includes those cities that perform less well.

Table 6

**Export-base in Chinese cities (location quotients)**

Region	City	LQ1	LQ2	LQ3	LQ4	LQ5	LQ6	LQ7	LQ8	LQ9	LQ10	LQ11	LQ12	LQ13	LQ14
Anhui	Hefei	0.75	0	1.06	0.11	1.42	2.01	1.41	0.09	0.06	0.29	0.09	0.1	0.12	2.16
Beijing	Beijing	0.04	0.55	0.69	0.05	0.75	1.92	1.78	0.08	2.7	2.46	1.12	2.76	1.43	0.06
Chongqing	Chongqing	0.08	0.27	0.94	2.38	2.16	0.06	1.18	1.92	1.1	0.4	0.08	1.01	1.42	0.09
Fujian	Fuzhou	0.08	0.2	1.54	1.31	0.07	0.86	0.9	1.39	1.22	0.49	0.05	0.04	1.12	1.45
Gansu	Lanzhou	0.03	3.6	0.91	0.12	1.84	0.06	0.86	0.07	0.06	0.47	1.67	1.6	0.09	1.02
Guangdong	Guangzhou	0.04	0.06	1.34	0.05	0.03	1.88	1.24	0.07	0.07	1.6	1.12	0.05	0.06	1.72
Guangxi	Nanning	8.89	0.32	0.75	1.49	1.3	0.08	0.08	1.81	1.25	0.34	1.98	1.5	2.19	0.13
Guizhou	Guiyang	0.74	0.14	0.98	1.83	2.88	0.03	0.1	1.29	0.14	1.41	0.08	0.07	0.08	1.69
Hainan	Haikou	1.66	0.32	0.03	0.16	2.2	2.4	0.1	2.25	3.45	0.64	2.57	0.12	0.23	2.41
Heilbei	Shijiazhuang	0.95	0.08	1.18	2.51	0.8	0.07	0.1	0.11	0.26	0.58	2.38	1.09	1.87	0.09
Heilongjiang	Harbin	0.37	0.96	1.07	0.1	1.14	0.06	1.74	1.07	0.7	0.09	1.17	0.89	0.08	1.43
He'nan	Zhengzhou	0.85	15.16	1.08	0.16	0.13	0.05	0.08	0.14	1.67	1.04	2.77	0.09	0.14	0.12
Hubei	Wuhan	4.27	0.06	0.85	1.18	2.24	0.07	1.14	0.07	0.03	0.04	0.98	1.17	0.07	1.45
Hu'nan	Changsha	0.37	0.11	0.85	1.21	2.14	0.87	1.65	0.09	1.57	0.76	0.07	0.07	0.08	2.15
Inner Mongolia	Hohhot	3.43	0.29	0.05	5.45	0.05	1.52	0.08	0.23	0.61	1.6	3.93	2.58	7.24	3
Jiangsu	Nanjing	0.92	0.53	1.39	0.08	0.71	0.1	0.06	0.08	0.05	0.31	1.4	1.53	0.1	1.97
Jiangxi	Nanchang	7.18	0	1.01	1.96	2.53	0.13	0.04	1.42	0.05	0.37	0.07	0.08	2.53	0.11
Jilin	Changchun	2.21	1.49	0.92	1.94	0.64	0.78	1.02	0.07	1.17	0.51	1.32	1.42	2.19	1.79
Liaoning	Shenyang	0.08	2.77	0.93	2.33	0.03	2.55	0.99	1.92	0.04	0.06	1.42	0.07	0.12	2.02
Ningxia	Yinchuan	17.94	2.37	0.06	15.18	1.84	0.1	0.12	0.32	1.69	0.22	0.21	0.21	0.31	3.71
Qinghai	Xining	4.82	3.78	0.05	6.62	0.12	3.41	0.1	0.23	0.93	0.29	2.98	0.17	2.95	3.87
Shaanxi	Xi'an	1.54	3	1.09	1.78	0.77	0.06	1.72	0.06	0.51	1.49	0.94	2.3	0.77	0.06
Shandong	Ji'nan	0.15	2.45	0.87	0.07	2.23	0.05	1.61	1.68	0.99	0.07	0.08	0.74	0.97	1.41
Shanghai	Shanghai	0.56	0.02	1.27	1.11	0.02	1.84	0.06	2.42	1.3	0.06	0.82	0.07	1.27	1.72
Shanxi	Taiyuan	1.68	1.42	0.11	0.2	0.12	0.23	2.5	3.24	0.8	1.73	2.8	3.85	4.1	3.22
Sichuan	Chengdu	0.4	0.59	0.91	0.06	3.04	0.06	1.06	1.54	0.79	0.46	0.07	0.08	1.41	0.1
Tianjin	Tianjin	0.04	0.23	1.29	1.32	0.59	1.24	0.06	1.29	0.63	3.68	1.12	0.05	1.54	0.07
Xinjiang	Urumqi	7.13	0.52	0.97	2.99	0.11	0.19	1.73	2.51	2.6	0.19	0.13	0.13	0.14	3.36
Yunnan	Kunming	0.13	2.54	0.04	1.49	2.23	2.07	1.63	1.5	0.06	0.68	1.95	1.63	1.2	1.92
Zhejiang	Hangzhou	0.2	0.17	1.46	0.05	0.06	0.93	1.04	1.69	0.05	0.44	1.19	1.1	0.06	0.08

Source: China Data Online (2010), at [chinadataonline.org](http://chinadataonline.org)

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## THE ECONOMIC CRISIS AND IMMIGRATION: ROMANIAN CITIZENS IN THE CERAMIC TILE DISTRICT OF CASTELLÓ (SPAIN)

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**Abstract:** Between 2001 and 2007 an exceptional number of immigrants arrived in the province of Castelló (Spain), the majority of whom were from Romania, attracted by the plentiful employment prospects offered by a model of production based on the intensive labour requirements of the ceramic tile and construction industries. The effects of the international economic crisis have been particularly serious in the area of Castelló, where employment has fallen by 20% in just three years. Immigrations flows from Romania have fallen, while the number of those leaving has increased, and migration plans have been modified although the size of the immigrant stock has not fallen significantly due to continued family reunification. The differential between the Spanish and Romanian welfare states, the degree of adaptation in the host society and the strategies developed by the immigrant population explain why returning migrant numbers remain moderate and migratory circulation has increased.

**Key Words:** : *Migration flows, economic crisis, Romanians, Castelló*

### Introduction

The province of Castelló (Spain) provides an excellent vantage point from which to study international economic migration patterns. During a period of substantial economic expansion, the region became a focal point for immigrants and has quickly attracted high numbers of new citizens. Studies have shown both neo-classical theories and the role of networks to be valid, particularly the network associated with the Adventist Church during the first stages of the migration process. In recent years, the serious downturn in the economic situation has led many migrant families to reassess their plans for the future, but difficulties in their country of origin, together with the speed and falling costs of today's communication and transport systems are generating new patterns of migration.

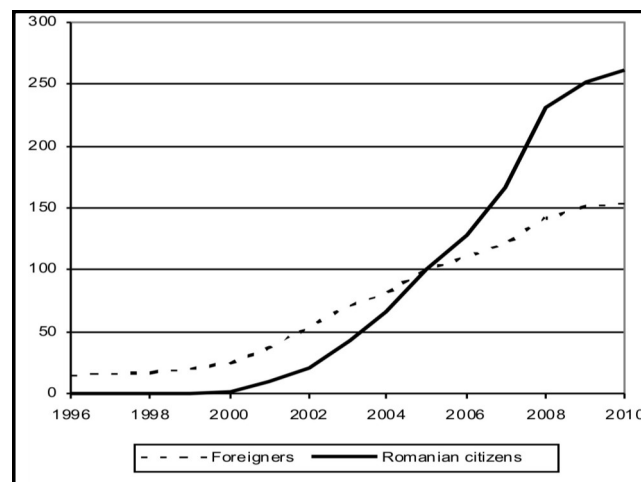
The aim of this paper is to evaluate recent changes among the Romanian population in the province of Castelló. The article begins with a summary of the changes in migration flows in Spain, followed by an explanation of the model of growth in the province. The characteristics of the resident Romanian population are then defined and the consequences of the crisis on the employment market, migration flows and stock are analysed. The paper concludes with an attempt to surmise the strategies Castelló's Romanian community has adopted in response to the recession.

### The general and local context

Over the last five hundred years Spain has been a major provider of migrant labour. The discovery and colonisation of the American continent mobilised some half a million Spaniards during the modern period (Martínez Shaw 1994). The period of highest migration coincided with

the wave of large European migrations at the end of the nineteenth and beginning of the twentieth centuries, when the term 'mass migration' was coined (Sánchez Albornoz 1988), in which around four million Spaniards emigrated according to César Yáñez (1994), or slightly fewer according to Consuelo Naranjo (1992) and Blanca Sánchez Alonso (1995). At the same time, migration to Algeria and Morocco also began (Vilar 2004), and Europe was the third destination for Spanish migrants. The wake of the Spanish civil war (1936-39) scattered Spanish exiles across the globe. However, the period of most intense migration occurred during the 1960s and 1970s (García Fernández 1965 and Garmendia 1981), until it was curtailed by the 1973 energy crisis. In the following year the migration balance between Spain and Europe was reversed, and 1974 marked the beginning of a period of high returns. Between 1974 and 1980 around 400,000 migrants came back to Spain, while outward migration rapidly dwindled (Carreras and Tafunell 2005, I, 141).

In 2001 Spain's migration flows were equally balanced. The number of foreign residents registered in Spain in the census of 1 May 2001 was 1,572,000, while Spaniards living abroad at the same time amounted to approximately 1,431,000, of whom some 735,000 were resident in the Americas and 640,000 in Europe. However, a dramatic change has occurred in the last decade: Spain has shifted from being a supplier to a receiver of migrants. For several years, the number of arrivals has reflected Spain's global position as the second preference for those migrating abroad. The number of immigrants has increased exponentially and Spain is now the European Union country with the second highest number of foreign residents. On 1 January 2010, 5.7 million foreigners were resident in Spain, representing 12.2% of the country's total population. What is specific to the situation in Spain, however, is the rapid pace with which these events have taken place, since in less than one decade Spain has achieved what has taken over forty years in other countries. Arrivals of immigrants en masse began in 2001 and continued through to 2008. A second basic feature of this migration pattern is that it is clearly economic migration, since 76% of the new citizens come from countries with a significantly lower per capita income than that of Spain.



**Fig. 1 - Stock of foreigners and Romanian citizens in Spain, 1996-2010.**  
Base 100 in 2005. Source: INE (Spanish National Statistics Office),  
*Padrón de Habitantes. 1996-2009.*

One of the most spectacular immigration streams is that of the Romanian population; not only was it the fastest growing (the trend did not begin until 2001), but it is also the nationality with the largest number of residents (829,715 on 1 January 2010), the highest number of workers with a job contract and the most widespread nationality across the whole of Spain (Fig. 1). By 1 January 2008, the Romanian community was the largest immigrant group in Spain, and although migration flows have fallen since then, on 1 January 2010 it was still the largest foreign community, accounting for 14.5% of all foreigners.

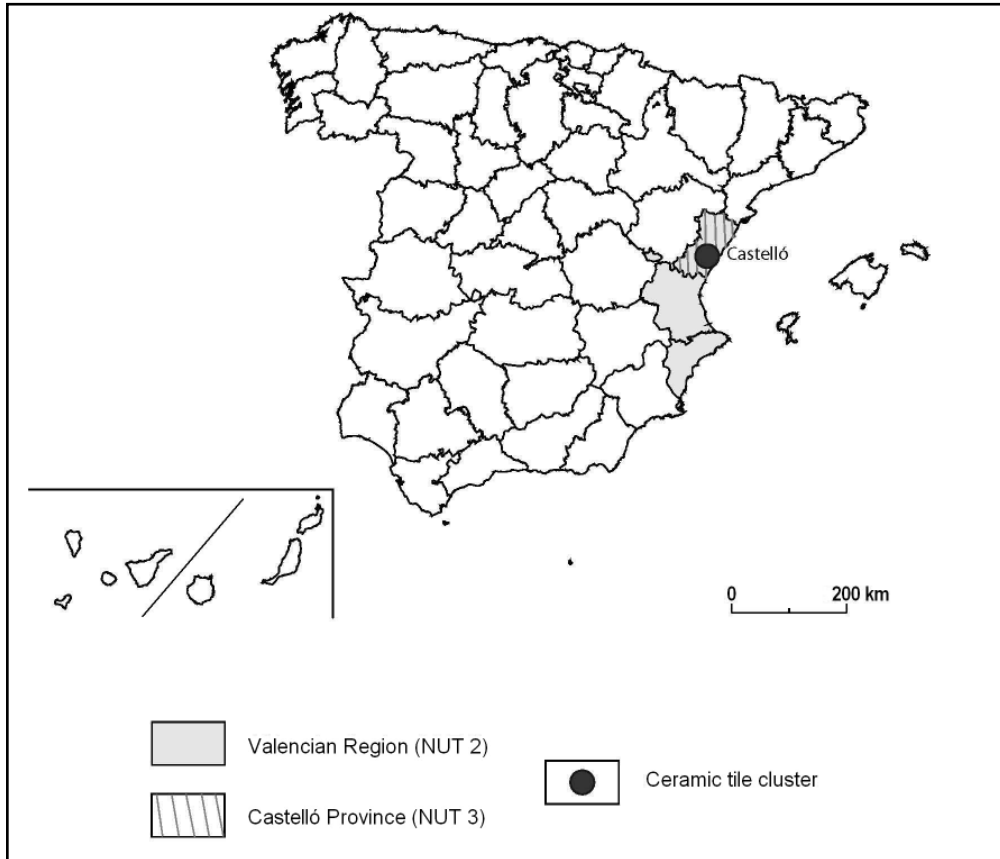
The factors that have attracted millions of migrants to Spain, as noted by other authors (Aja, Arango and Oliver 2009; Cachon 2009; Pajares 2009; Reher and Requena 2009, among others), include the country's strong economic growth between 1998 and 2007, the large demand for labour in a range of sectors, the extensive hidden economy, the rapidly ageing Spanish population, the incorporation of women into the workforce and generous immigration policies that contrast with the restrictive measures adopted by traditional destination countries.

In the specific case of the Romanian community, additional factors are also significant: the particular circumstances of economic poverty in Romania during its transition to the market economy (Viruela 2004; Gimeno-Bernat 2006); the rapid cementing of migration chains and network links among families and neighbours from the same areas of Romania and through religious organisations (Domingo and Viruela 2001; Sandu 2007); the good professional reputation enjoyed by Eastern Europeans in the host community, where their training, level of education, etc., are appreciated (Ioé 2004; Pla 2008); and cultural affinity through a shared romance language. In addition to the above, ease of movement within the Schengen area was an important factor, first through visa exemption (1 January 2002) and then with the Romania's entry into the European Union (1 January 2007) and finally, Spanish migration policy, which encouraged the arrival of Eastern Europeans while at the same time restricting entry to other groups.

We now analyse the model of economic growth in the province of Castelló. The province covers an area of 6,632 km<sup>2</sup>, and is located in the east of the Iberian peninsula, and in the north of the Valencian autonomous region. In the last twenty-five years it has been one of the most dynamic provinces in Spain, as evidenced by its vigorous macroeconomic indicators (investment, employment, exportation, etc.). As well as traditional commercial agriculture, the 1960s and 1970s witnessed the consolidation of a powerful industrialisation process, highly specialised in ceramic tile manufacture (Gimeno 1999). This sector expanded greatly until the start of the present century, and when growth levelled off, a hitherto unforeseen boom turned the residential construction industry into the driving force of the province's economy. These circumstances enabled the phase of expansion, initiated in 1993, to continue until the real estate bubble burst in September 2007. Throughout this period Castelló's gross domestic product, in per capita terms, was significantly higher than that of both the Valencian autonomous region and of Spain as a whole, an even more significant achievement given the province's high demographic dynamism.

The ceramic tile cluster includes 25 municipalities and covers an area of 1,234 km<sup>2</sup> in the centre and south of the province of Castelló (Fig. 2). It is one of the best examples of industrial specialisation and geographical concentration, on a par with the Italian region of Emilia-Romagna with which it competes fiercely for the international market. As well as its long tradition and ready supply of raw material, the industry developed as a result of increased demand. The sector benefited from a huge stimulus in the mid-twentieth century based on the construction of tourist homes and apartments. It successfully weathered the crisis of the 1970s through heavy re-investment and the ensuing introduction of new technologies. The demand

for raw materials, chemicals and machinery spawned the concentration of auxiliary industries in the same district. As Marshall (1891) and Becattini (1987) note, it is a mature industrial district, consolidated by a network of institutions and entities such as business and professional associations, and both public and private technological, research and training centres (Salom and Albertos 2006).



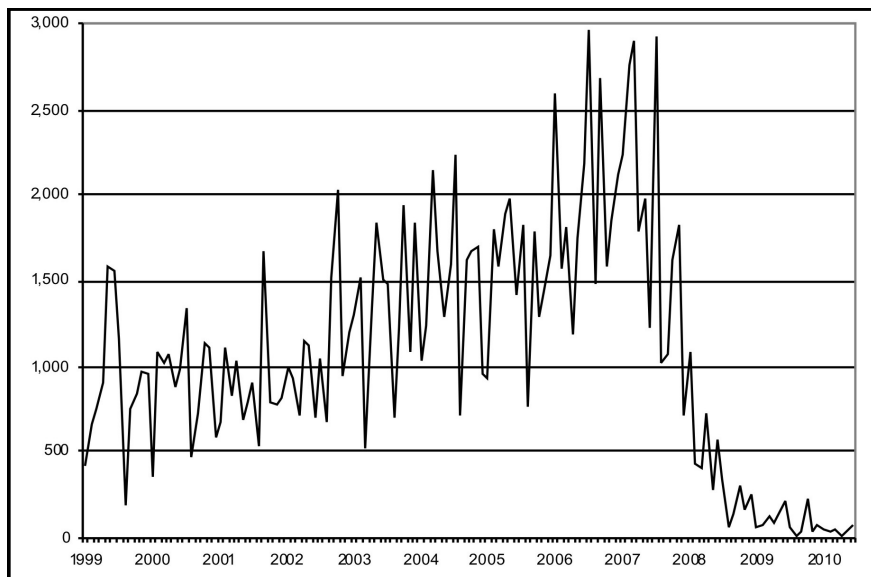
**Fig. 2 - Location of the Valencian region, the province of Castelló and the ceramic tile cluster**

The golden decade of the ceramic tile industry spanned from 1993 to 2002. Production doubled to over 650 million square metres in the last year, 94% of the total Spanish output. The sector provided jobs for 35,000 workers directly – and possibly as many indirectly – the equivalent of roughly a third of the province’s workforce. Sales reached 3,500 million euros, half of which were generated in foreign markets. According to the Active Population Survey (EPA) for the first quarter of 2003, Castelló ranked fourth out of the fifty Spanish provinces in terms of active industrial population. While percentages for agriculture and construction did not vary significantly from national averages, a large deficit was reported in the service sectors, which in 47<sup>th</sup> position was ten points below the total for the whole country.

This area is one of the privileged regions in the Spanish and European Mediterranean Arc. It

has financial and human capital and good transport infrastructure: major roads built to accommodate large volumes of traffic, railways, port facilities both in the capital, Castelló, and 60 kilometres south in Valencia, which handles most goods for export and is one of the busiest and most competitive ports in the Mediterranean. Ceramic tiles are one of the most important products exported from there: 2.4 million tons in 2009, which according to the Valencia Port Authority statistics department represents 10% of total volume handled by the port. However, the cluster has certain structural weaknesses (Fuertes *et al.* 2005) and because it relies heavily on exports and economic cycles, it is vulnerable, particularly in times of crisis such as the present moment.

The ceramic tile industry experienced setbacks at the beginning of 2003 that marked a turning point in previous trends. In the ensuing years lower demand prevented complete recovery, which weakened business confidence and slowed down investment. The international crisis hit the sector hard and in 2009 production had practically dropped by half. A significant proportion of the profits made during the boom decade were diverted to other sectors, including construction, which appeared to be the most profitable and expanded at an extraordinary pace. From just over 10,000 dwellings approved annually in the province by the College of Architects for the years 1999 to 2001, the number rose to 23,700 in 2006 (Fig. 3).



**Fig. 3 - Number of new dwellings approved by Colleges of Architects. Province of Castelló. 1999-2010.** Source: Castelló Chamber of Commerce. Monthly data.

Various factors contributed to the construction boom: availability of capital, rapid profitability (more in the case of speculators than producers), large areas ripe for development, a favourable political climate and regulations for housing developers, connivance on the part of local governments that obtained substantial income from building permit fees, etc. Other factors worthy of mention were increased incomes, low house prices in Castelló (one of the cheapest areas in Spain), predicted tourist affluence, demographic increase and ready availability of labour, for the most part immigrants. The construction industry became the most important business activity in many places, and there was an atmosphere of confidence that envisaged

the continual construction of thousands of houses, residential estates, hotels and golf courses. An illuminating example of this confidence is Marina d'Or Golf, in the municipality of Cabanes (population 3,128), which aspired to be the largest leisure and holiday complex in Europe. This project was designed to develop 18 million m<sup>2</sup> providing three golf courses, five large hotels, a theme park, artificial ski slopes and almost 40,000 dwellings. The situation changed dramatically, however, after the second quarter of 2007. In June of that year, nearly 3,000 dwellings were approved, but in the first half of 2010 the average per month was just 40.

In 2007 the economic model based on the ceramic tile and construction sectors suffered a serious downturn, and given the turnover generated during the expansion phase, the crisis spread to all sectors of activity, although in varying levels of intensity. While in agriculture and manufacturing industries employment fell by 25-26% between the first quarter of 2008 and the second quarter of 2010, services have weathered the crisis slightly better, with job losses of 11%, in contrast to 50% of jobs lost in the construction sector. According to the latest Active Population Survey, Castelló has fallen from fourth to tenth place among Spanish provinces in terms of its proportion of industrial sector employees. In contrast, the proportion in the service sectors has increased.

The international crisis has led to the destruction of thousands of jobs in the province of Castelló and millions in Spain. However, most macroeconomic indicators show that in Spain the crisis reached its greatest levels of destruction in the first half of 2009, since when the rate of decline has slowed up, with more optimistic signs being noted in 2010 (see the Bank of Spain's Economic Bulletin of October 2010).

The labour market and production in the province of Castelló are showing similar signs. Between the first and third quarters of 2010, the number of employed increased by 6,800, although unemployment figures have fallen by only 2,400, since the active population has increased by 4,300. Unemployment figures from the Public Employment Service offices also show a reduction of 4.2% on the peak reached in April of the same year. At the very least, the situation has become stable and jobs are no longer being lost. Monthly figures for employment contracts confirm a similar pattern. The available information for production in 2010 is still incomplete and provisional, but points in a similar direction and results for the key sector in the province, ceramic tile manufacture, seem optimistic.

All the reports and strategic plans published in recent years for the province of Castelló recommend diversifying from a production structure based on existing potentialities and introducing a sustainable development model based on agri-food industries, high-quality ceramic tiles, upmarket construction and specialised tourism. Links between institutions (university-business-administration) should be improved in order to introduce a new model of production based on R&D&i, emphasise internationalisation in production and incorporate greater added value in processes and services to businesses and individuals; in short, an economic structure based on the knowledge society and supported by a community with the appropriate human capital.

Because of its particular economic growth, Castelló now has one of largest new citizen populations of all the Spanish provinces, amounting to 18% of its population, and of the foreign nationalities represented Romanians are at the fore. As in other Spanish regions and cities such as Madrid and Coslada (Şerban and Grigoraş 2000), Castelló emerged as a destination for Romanian migrants in the mid-1990s. Just over ten years ago they had only a token presence (157 residents on 1 January 1998) but since then their numbers have increased

steadily, especially at the beginning of the new century (Fig. 4), to become the largest foreign community in the province.

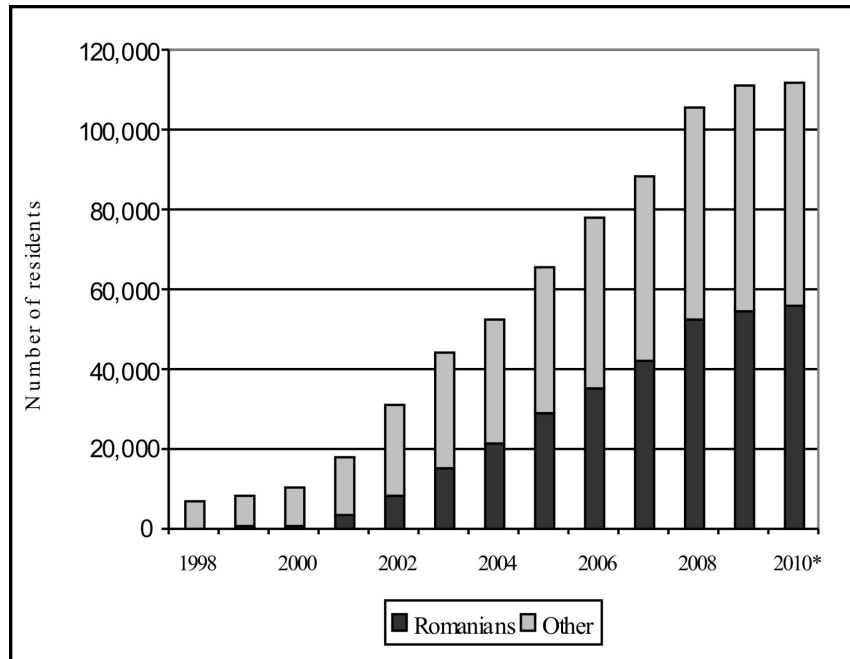
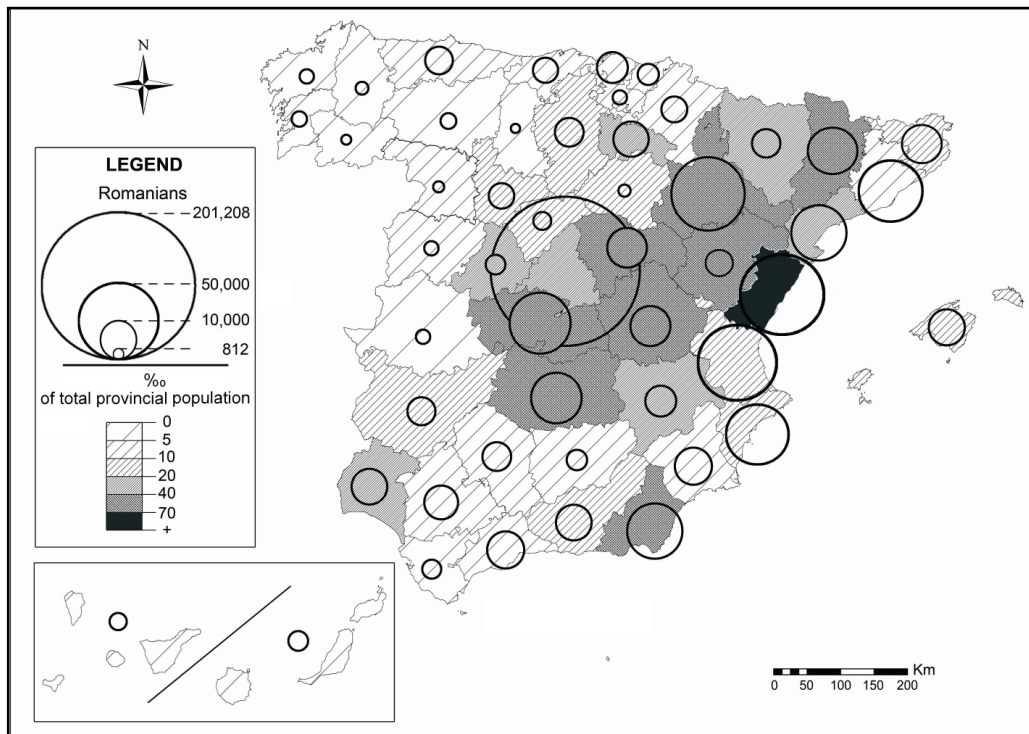


Fig.4 - Evolution of the foreign population resident in the province of Castelló (1998-2010) \* Provisional data. Source: INE, *Padrón de Habitantes*, [www.ine.es](http://www.ine.es)

Provisional results of the *Padrón de Habitantes* for 1 January 2010 report a total of 55,603 registered Romanian citizens, which accounts for half the foreign population (112,168) and almost 10% of the total population of the province (603,861). The increase in stock has slowed down because of the economic crisis and the slight increase is mainly due to family reunification. Factors that attract immigrants, in addition to those mentioned above for the case of Spain, include the important role of social networks, particularly the Adventist Church in the beginnings of the trend, and higher employment demand.

In absolute figures, the Romanian community in the province of Castelló is the second in Spain, far below that of Madrid, and the first in relative terms (Fig. 5). The community are present across the whole province, particularly in the capital and other towns in the ceramic cluster where 82% of the total Romanian population lives, making it one of the main areas of Romanian settlement in Spain, and undoubtedly, in Europe. The cluster has a high density (74% of the total provincial population live there), a strong economic dynamism and a large, diversified job market (79% of all those affiliated to the Social Security system work in the cluster): construction, domestic service, various industries, intensive irrigated agriculture, hotel and catering, and tourism related activities. However, to a large extent the Romanian community has chosen this area because family and friends were already settled there, and can provide security for new arrivals and help them in the social and professional integration process. Social networks help to strengthen already existing concentrations (Arango 2006) and are a key element in the composition and channelling of flows. Immigrants have come to

Castelló from all regions of Romania, although the first arrivals were predominantly from Târgoviște and Ploiești in the departments of Dâmbovița and Prahova (Viruela 2002).



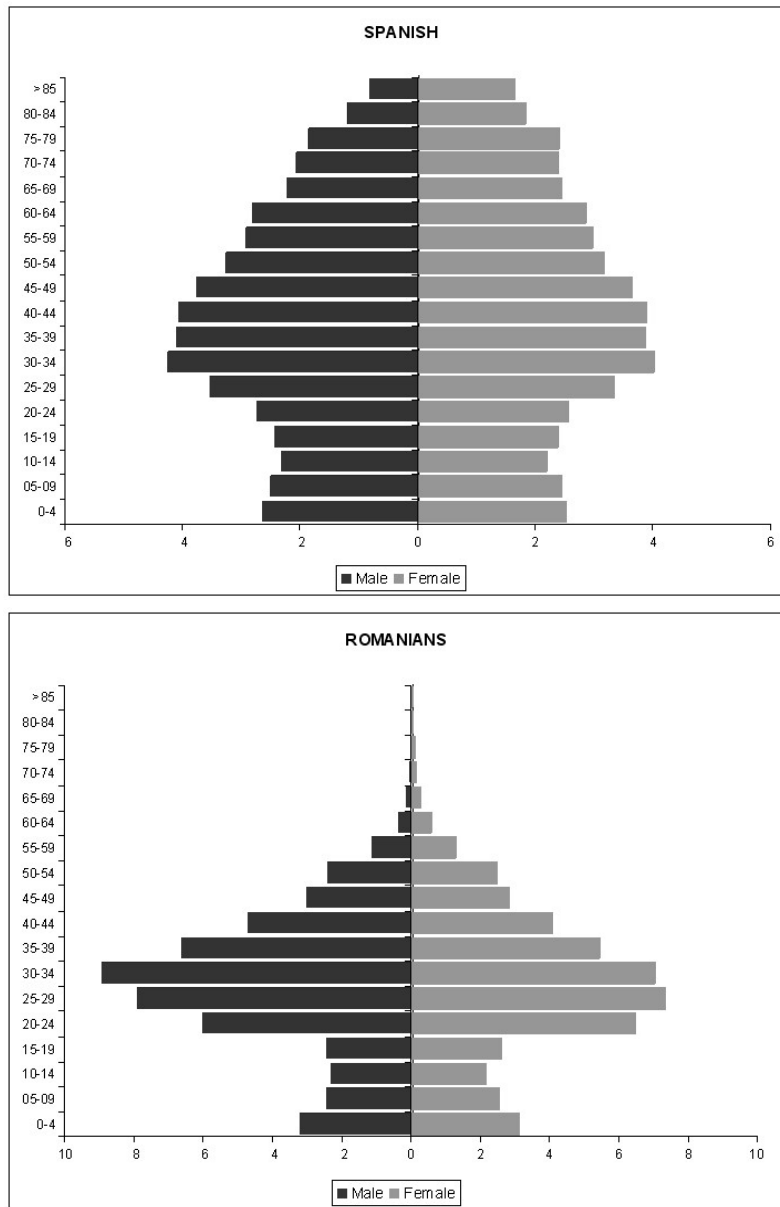
**Fig.5 - Geographical distribution of the Romanian communities (2009)**

The Romanian population in Castelló is characterised by a high proportion of young people of working age, typical of economic migration, and with only slight gender difference. Initially, the proportion of males was higher (56.6% in 2002, compared to 52% today), but in recent years the gap has closed due to family reunification. Around 55% of the population are between 20 and 39 years old, children under the age of 10 account for 11% and numbers over the age of 60 are very low. Of note is the growth in the percentage of children compared to a few years ago (Viruela 2002), of whom half of those under five years old were born in Spain (Domingo 2008).

The relatively wider base of the Romanian population pyramid (Fig. 6) reflects family rather than individual migration. Its profile differs from that of other nationalities, such as Moroccan or Colombian immigrants, in which men and women predominate, respectively, and which have different migration strategies. The composition of immigrant communities contrasts with the more ageing Spanish population, of whom 27% are over 65 years old.

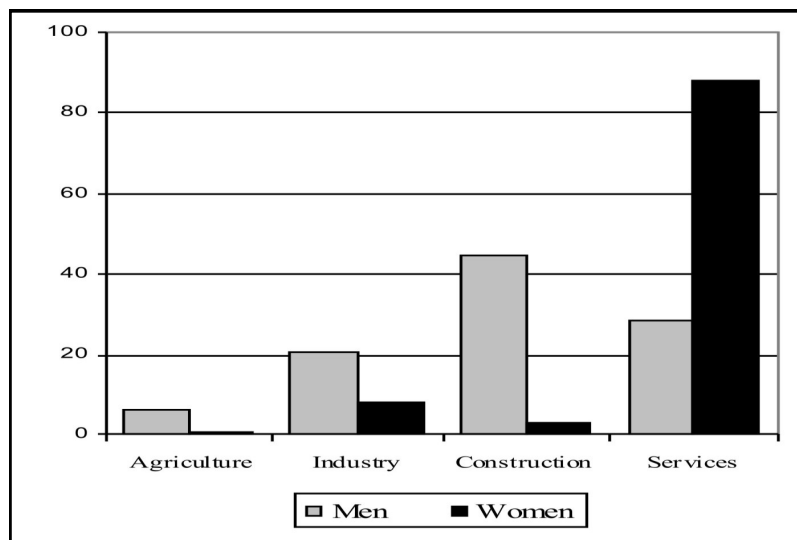
Romanian citizens have had a striking impact on the Castelló labour market and make up the largest group of foreign workers. The figure of 15,198 Romanian workers affiliated to the Social Security system at the end of 2009 (Ministry of Labour and Immigration, 2009 Statistical Yearbook) is three times higher than five years previously (Viruela 2002), and represents 49.7% of

all foreigners, with even higher percentages for women. In fact, the presence of women in the labour market is higher than reported in the statistics since many are working in the hidden economy (Pajares 2009).



**Fig. 6 - Distribution by sex and age of Spanish and Romanian residents in the province of Castelló (1 January 2009)** Source: INE, *Padrón de Habitantes*, [www.ine.es](http://www.ine.es)

In Castelló, as in other Spanish provinces (Domingo, Gil and Maisongrande 2008) and countries (IOM 2008), the employment structure of the Romanian population shows clear gender differences (Fig. 7). Most women work in the services sector: 88% of those interviewed in 2008 (Bernat *et al.* 2010), especially in the hotel and catering sector and domestic service (which includes caring for the elderly and disabled) and less frequently in commercial or administrative positions, as well as prostitution. On the other hand, 44.6% of the men interviewed in the same survey worked in the building industry. Salaried workers in low-skilled positions (labourers) predominated, although there were also some skilled workers and a large number of Romanian businesses that frequently sought cheap, mobile labour among their compatriots. In sum, the jobs performed by the Romanian community, namely low and medium skilled positions, are complementary to those of the Spanish population, and have increased in greatest numbers among the foreign population in recent years.



**Fig. 7 - Distribution of Romanian workers in Castelló by sector and sex in 2008.**  
 Source: Interuniversity Institute for Local Development (IIDL) survey for publication in Bernat *et al.* 2010.

Romanian immigrants have demonstrated a great capacity to adapt to changing circumstances. Their irregular situation during the initial years (prior to Romania joining the European Union there were more undocumented than authorised Romanians in Spain) did not hinder their rapid incorporation into the labour market, due to the growth of the hidden economy in Castelló and their contacts through the social network. Empirical studies show that families and friends provide the main channel for information, intermediation and employment references. Of those surveyed in 2008, 34% found work through neighbours and friends, and 25% through their relatives (Bernat *et al.*, 2010). The established Romanian community network passes on information about vacancies and frequently recommends candidates to prospective employers. Immigrants who arrive without the support of the network are more likely to run into difficulties: most of the jobless surveyed in 2008 had not turned to their families to look for work (Bernat *et al.* 2010).

Following the entry of Romania into the EU in 2007, a large number of Romanians avoided the

restrictions imposed by the Spanish government (with certain exceptions, they were not allowed to work as employees) by registering as self-employed in the Social Security system. In the whole of Spain, the number of registered self-employed Romanians rose sharply from below 5,000 on 31 December 2006 to over 48,700 in May 2008. Although many were actually 'false self-employed', working for others without contracts, these figures reveal the high level of business initiative in the Romanian community. In the province of Castelló, between 300 and 500 Romanian firms have been created in a wide range of sectors (Bucur 2006). Most of these firms consist of the entrepreneur and another family member, although some employ other workers, particularly in the building sector. A further illustration of their adaptability is reflected in Jobs Observatory figures for the last two years, which show an increase in the number of Romanians employed in agriculture in the province of Castelló.

### **Databases and methods**

We have examined all the statistical information available on the issues dealt with in this study. The National Statistics Institute (INE) was the main data collection organisation referred to, from which we analysed three sources. The first of these was the Padrón de Habitantes, which records the population of the municipality and constitutes proof of residence and usual address. This information is collected by local councils and reviewed and published by the INE. Every person living in Spain is obliged to register with the town or city council. The register is constantly updated, although the information is published on 1 January. The second source was the Residential Variations Statistics, which contains information based on the changes registered in the Padrón de Habitantes, and computes the changes in usual residence over the year. The third source was the Active Population Survey, which is published quarterly and provides data about the workforce and the inactive population. Social Security affiliations were also analysed; these provide detailed information on contracted workers and the self-employed. From Inland Revenue data, we analysed the Business Tax database, which is a direct tax on all business, economic or artistic activity except the subsidised primary sector, and as such covers practically the entire self-employed population. Finally, we obtained figures on projects approved by the Official College of Surveyors, Technical Architects and Construction Engineers of Castelló; these projects are official documents, without which local councils will not approve planning permission. (See Palacio 2008) for an analysis of the validity of this source.) Quantitative information was supplemented with results taken from the study carried out in June 2008 by the Institute of Local Development at the Universitat Jaume I (for technical details, see Bernat 2010), and in-depth interviews with the heads of key institutions and social agents.

### **Analysis and results**

The economic crisis, now in its third year, has had negative consequences on the quality of life and future prospects of the foreign population. The recession brought to an end a decade of extraordinary growth in immigration: in 2008 and 2009 the increase in the number of Romanian residents slowed down and may indeed have fallen in 2010, according to indications from National Statistic Institute estimations. In theory, the crisis should trigger a return to the country of origin, but this phenomenon is highly complex and difficult to quantify. In order to assess migration flows, and particularly returns, we now examine the strategies applied to adapt to the new employment context.

The main consequence of the crisis is the destruction of jobs, which has been more keenly felt among the foreign population. Between November 2007 and April 2010 the number of foreigners affiliated to the Social Security system fell by 30%, compared to 20% among the

Spanish population. Essentially this is because immigrants are over-represented in sectors that are sensitive to business cycles (construction, hotel and catering, commerce, etc.) and additionally, they occupy unskilled or low-skilled positions with less secure job contracts (Sopemi 2009). Above all, traditionally male jobs have been lost in the construction industry, and the crisis has thus affected men more than women (Table 1). Women are less affected since they are essential to domestic service and other low-skilled jobs that, despite the crisis, are rejected by the Spanish population.

Table 1

**Foreign workers affiliated to the Social Security system in Castelló**

	Total	Men	Women	% of women
2001	9,607	6,992	2,615	27.3
2002	15,486	10,882	4,604	29.7
2003	16,618	11,751	4,867	29.3
2004	19,597	13,552	6,045	30.8
2005	32,831	20,843	11,988	36.5
2006	36,527	23,573	12,954	35.5
2007	39,561	25,763	13,798	34.9
2008	33,255	20,473	12,782	38.4
2009	30,551	18,197	12,354	40.4

Source: *Ministry of Labour and Immigration, Statistical Yearbook*,  
<http://www.mtin.es/es/estadisticas/contenidos/anuario.htm>

Figures show that Romanian women are less likely to lose their jobs than men; between the end of 2007 and the end of 2009, the number of women affiliated to the Social Security system in Castelló increased by four, while the number of men fell by 2,308. If we compare the figure for women in official employment with the total number of immigrants of working age at the beginning and the end of the above-mentioned period, we find a decrease of only two percentage points, from 32% to 30%. The same statistics for the male population show a drop from 47% to 35%. Men continue to enjoy a higher rate of employment, but the differences are considerably smaller, and at the end of 2009 Romanian women accounted for 44% of the total Romanian population in contracted employment.

The unemployment rate, which has always been higher among the foreign workforce, rose suddenly following the collapse of the construction sector. In the second quarter of 2010, 19% of the active Spanish population was unemployed, compared to 44% of active foreigners, half of whom were Romanian. This high proportion may suggest that many households were suffering severe financial difficulties, and while many are facing economic hardship, it is necessary to examine this question in greater detail. According to the Job Observatory, 16,167 Romanians were in contracted employment on 31 December 2007 in the province of Castelló, and 704 were receiving unemployment benefit. Two years later, these figures were 14,433 and 5,365, respectively. In other words, although fewer were in contracted employment, the number with a monthly income (whether from a salary or unemployment benefit) increased by almost 3,000 and therefore, household income must have fallen less than suggested by the unemployment statistics.

Table 2

**Self-employed workers in the city of Castelló**

	December 2007	March 2010	Absolute variation	Relative variation (%)
<b>TOTAL</b>	18,498	17,552	-943	-5.1
<b>Spanish</b>	17,362	16,809	-553	-3.1
<b>Foreigners</b>	1,136	743	-393	-34.6
<b>Romanians</b>	726	372	-354	-48.8
<b>Other foreigners</b>	410	371	-39	-9.5

Source: *Castelló Chamber of Commerce, Business Tax database.*  
*Authors' own statistics*

Another category that has felt the impact of the recession is the self employed, a category that grew exponentially following Romania's entry into the EU. The crisis has halved the number of self-employed Romanians in the city of Castelló (Table 2), with the construction sector being the most severely hit (Romania din Spania, 2008). However, it is of note that following the two-year moratorium on the free movement of workers (which ended on 1 January 2009), some self employed workers switched to contracted worker status, which undoubtedly had an influence on the statistics.

Many workers who have lost their jobs in the building sector, industry, the hotel and catering sector, etc., have looked for work in agriculture. In two years, the number of Romanians contracted in the agricultural sector has increased from below 1,000 in 2007 to over 2,000 in 2009, in the same period that figures for other nationalities, including Spanish, have fallen. This sector requires workers who are prepared to take seasonal jobs and move from one district to another in exchange for low salaries. Broadly speaking, foreign workers are more willing to move than Spanish workers, and Romanians have an added advantage over other immigrant communities in that they are EU citizens. In the opinion of the provincial secretary of the trade union *La Unió*, this status "makes contract procedures easier" and moreover "in the end, we have more Romanians than other nationalities; it is a question of supply and an available workforce". In addition, "there is... a reluctance to employ Muslim workers". The same interviewee reported a certain competition in recent months between Spaniards whose unemployment benefit had run out and foreign workers, and stated that "employers are more likely to hire Spaniards than foreigners, especially if they know them".

A further consequence of the crisis is the shift of many immigrants into the hidden economy, where they must endure precarious employment conditions. Romanians are experienced in dealing with this situation, since before Romania joined the EU, numbers of undocumented immigrants exceeded legal residents in Castelló (and in the whole of Spain). In the two following years, although they were allowed residency in Spain, government restrictions meant many had no alternative but the hidden economy. According to both Friedrich Schneider and the Special Management Division of the Inland Revenue, Spain has a large shadow economy that is on the increase in various business sectors. Of all areas of activity, the shadow economy is most vigorous in domestic service, which has a predominance of Romanian women (Viruela 2002). This sector has felt the effects of the recession less harshly since demand has not shrunk; this factor has enabled many families to survive, as illustrated by the following case of a forty-year-old woman whose husband lost his job in the ceramic tile industry and is now claiming unemployment benefit: "I've been working as a domestic help for over a year now because we can't see any other way out. The 400 euros that I earn every month goes a long way to paying the mortgage and keeping our three children" (see "La crisis se ceba en las

remesas a Rumanía”, Las Provincias, 13-IX-2009). Women have taken on a more significant role in the family, while the father figure has been negatively affected by job losses, factors that are affecting the distribution of roles and responsibilities, and may lead to significant transformations in the model of the family.

Those who have been most seriously affected by the crisis turn to friends and relatives for help, and some even receive money from Romania: “their relatives are now sending back what they saved from the remittances of the boom years to help them pay what they owe in Spain” (Ángela Placsintar, Association of Eastern European Immigrants). In general, they seek work more actively and are more likely to turn to associations: “before the crisis we saw an average of two people a day who were looking for information about getting a better job; now I see five who are looking for work” (Romanian Association of Castelló).

The Residential Variation Statistics allow migration flows to be analysed, although with some limitations since not all changes in residence are registered and some are reported several months after the event. Despite these shortcomings, the data show that the crisis has had repercussions on migrations (Table 3). For example, mobility within Spain, which grew rapidly until 2007, has fallen appreciably in recent years, both in terms of flows between other Spanish provinces and in changes of residence within the province of Castelló. These findings coincide with those of the Job Observatory, which gathers data on contracts of individuals who move to the province and those of workers who are resident in Castelló and are contracted in other provinces.

In addition, the number of arrivals from abroad has fallen dramatically. In 2008 and 2009, arrivals (between 2,200 and 2,400) were approximately 25% of those registered in previous years (in excess of 9,000). This reversal in the trend was to be expected, since the deteriorating situation of the job market has led potential migrants to wait for recovery before taking the decision to emigrate.

Table 3

**Migration flows of Romanian citizens resident in the province of Castelló**

Year	Abroad			Other Spanish provinces			Balance total (a+b)	Between provincial municipalities
	Immigration	Emigration	Balance (a)	Immigration	Emigration	Balance (b)		
2001	1,292	(*)		197	106	91		220
2002	3,721	5	3,716	287	400	-113	3,603	813
2003	5,987	27	5,960	394	615	-221	5,739	1,111
2004	7,251	254	6,997	547	917	-370	6,627	1,345
2005	6,611	199	6,412	896	918	-22	6,390	1,736
2006	9,418	1,003	8,415	1,266	963	303	8,718	2,209
2007	9,437	437	9,000	1,819	1,601	218	9,218	2,259
2008	2,398	482	1,916	1,026	1,116	-90	1,826	1,327
2009	2,258	1,408	850	816	934	-118	732	1,250
Total 2001-2009	48,373	3,815	43,266	6,432	6,636	-322	42,944	12,270

Source: INE, *Residential Variation Statistics (microdata)*, [www.ine.es](http://www.ine.es)

(\*) The INE began publishing information on foreign immigration in 2002

In contrast, the crisis has led to an increase in migration abroad. In 2009, the number of Romanians resident in Castelló leaving the province was almost a thousand more than in previous years, which in relative terms represents a significant qualitative leap (more than triple). However, those who left in 2009 represented only 2.5% of the registered population. It is difficult to establish the true figure, however, due to shortcomings in the Spanish statistics system, which fails to capture movements out of the country (Domingo and Recaño 2010) and does not distinguish between return migration and migration to other destinations. Nonetheless, the consulate, immigrant associations and those interviewed all perceive that return and other types of migration have increased during the years of recession. Few Romanians in Castelló do not know of at least one relative or friend who has returned to Romania, or has decided to migrate to a different country. "You don't hear so much Romanian spoken in the street now" (Adelina, 33-year old Romanian woman).

Most immigrants see their migration experience as a period in their life that may be longer or shorter according to their objectives and the circumstances. The first studies on Romanian migration reported that the majority planned to return (Şerban and Grigoraş 2000; Potot 2002). The survey undertaken in mid-2008 revealed that 74% of the Romanian community resident in the province of Castelló intended to return (Bernat *et al.* 2010), a similar percentage to that obtained (71%) in a survey carried out at the same time in the Autonomous Region of Madrid (Sandu 2009). Indeed, return is a factor in all migration processes, a flow that the German geographer Ernest Georg Ravenstein (Grigg 1977; Arango 1985) noted as early as 1885, and that rises in periods of recession.

In times of crisis, the main destination countries adopt measures to encourage return migration, thereby reducing the number of unemployed immigrants, pressure on the labour market and social discontent. Several western European countries (France, Germany, Belgium and Netherlands) introduced repatriation schemes in the mid-1970s and such measures have recently been applied in Spain, the Czech Republic and Japan (McCabe *et al.* 2009). On 18 June 2008, a European parliament directive urged immigrants to return voluntarily to their countries of origin and in November of the same year the Spanish government approved a voluntary return programme addressed to immigrants from countries outside the European Union. And as in other countries, since 2003 Spain has implemented a programme set up by the International Organisation for Migration to help immigrants in serious difficulties who wish to return to their countries (European Migration Network 2009).

In April 2008, the Romanian government ran a campaign in various Spanish and Italian cities, including Castelló, in an attempt to convince Romanians to return home with the promise of employment and business creation grants. The Romanian economy was enjoying an 8% growth rate and unemployment stood at just 3.5%, and for a number of years some sectors had been dependent on immigrant workers to make up for labour shortages caused by migration (Carvajosa 2006 and Nistor 2007). The campaign was unsuccessful due to scepticism among the migrant community (Oleaque 2008) and according to the Ministry for Labour and Immigration (see *Actualidad Internacional Sociolaboral*, no. 121) take-up was very scarce. For this reason, the Romanian government, which had few resources to stimulate return, regarded the Spanish programme as an appropriate measure (Plewa 2009). But because of their European community status, Romanian migrants were unable to take advantage of the scheme. However, given the persistence of the crisis and the rapid increase of unemployment in the Romanian community, in May 2009 the Spanish and Romanian governments signed an agreement to facilitate the return of unemployed Romanian workers or those whose jobs were at risk (European Migrations Network, 2009). We do not have information on the number of Romanians that have returned as a result of this agreement, but we suspect the number is low,

as in the case of the International Organisation for Migration programme that has been in force in Spain since 2003: as of April 2010 only 414 Romanians across all Spain had taken advantage of this scheme to return home (Pajares 2010).

The latest reports on immigration and the employment market in Spain (Pajares 2009 and 2010) conclude that the figure of returning Romanians is highly significant and that "it is probably the nationality with the largest return rate", although no data are provided to support this hypothesis. From sex and age related changes in the structure of the Romanian community in the province of Castelló, we can infer that returnees are young people and adults in the prime of their working lives, mostly male, probably unemployed and unlikely to find work again easily, or more recent arrivals, although some young couples with small children have also returned.

Romanians endeavour to diversify their strategies in pursuit of financial security and while some members of the family remain in Spain, others go back to explore the possibilities and examine what opportunities are available for either salaried or self-employed work. Others supplement their income in Spain, either from short-term job contracts or unemployment benefit, with income from seasonal work in Romania. An increasing number of people from the Romanian community in Castelló travel relatively frequently between their place of origin and Castelló, or move to other countries, thus falling into the category of transmigrants. The SERVEF (Valencian employment and training service) offices, through EURES (European job mobility service), have attended Romanian citizens requesting information about employment vacancies in other European countries (Martínez 2010), which illustrates how the Romanian community live between two or more countries, their place of origin and their migration destination or destinations. By dividing their time between Spain and Romania now restrictions to free movement have disappeared, Romanians can enjoy greater mobility, a factor that can help make their migration experiences more successful. Low cost airlines and coach lines enable them to travel at relatively reduced prices. Circular migration allows them to be more financially adaptable, and strengthens family and social links in both countries; it avoids the disadvantages associated with traditional linear migration and increases social capital. In addition, business opportunities or chances of promotion are increased through the development of economic, social and cultural links between the two countries.

Although migration of Romanians from Castelló, whether to Romania or elsewhere, is higher than in previous years, it is not a massive flow. Three years into the recession, the majority have decided to stay, at least for the moment. The factors that dissuade return include the high cost of arriving and settling in Spain and the high level of integration that many immigrants have attained, with corresponding social and professional improvements. Family migration, an important factor in this community, makes return less likely. Their children have established friendships and emotional bonds and are integrated into the Spanish education system and "keep their parents in Castelló" (María, 38 years old). Many families have bought their own flat or house thanks to the earnings of various members of the family, which might have amounted to "3,000 or 4,000 euros or more. Now some people have lost their jobs and they have to keep paying the mortgage on a flat they can't sell – before they move away – because of the sluggish housing market" (José Antonio, president of Horfi Ingenieros Consultores). Others view the recession as temporary and regard the situation in Romania as even worse; they are reticent to go back "because Romania is one of the countries that is suffering most in this crisis... it's impossible to find work there" (Pancsintar, president of the Association of Eastern European Immigrants). The majority benefit from the Spanish welfare system, and therefore factors such as unemployment benefit, a free quality health system, education grants, the possibility of working while claiming unemployment benefit all hinder the decision to go back.

Young university graduates will exhaust all possibilities before considering the idea of migrating: "I have just applied for a grant to do my doctoral thesis, which at least would be enough to keep me for three years" (Adelina).

Moreover, the decision to return depends essentially on the situation in the country of origin. The crisis in the destination country might give rise to expectations to return among the migrant population, but these expectations will only materialise if the situation at home is better than it was when they left, as illustrated by the case of Poland (Fix *et al.* 2009). Since 2008 Romania has also been seriously affected by the international recession, and demand in the Romanian labour market is not sufficient to absorb all returnees.

### **Discussion**

Extraordinary economic expansion resulted from the model of production developed in Castelló in the 1990s, based on intense use of unskilled labour and sectors dependent on international market forces. The shortage of local human capital to meet labour market demands generated a powerful call effect that soon attracted Romanian immigrants. This community settled with relative ease due to migration networks, and as the area was not a traditional migrant destination, very little competition was encountered from other communities of new citizens, which led to an exponential rise in the number of Romanian workers between 2001 and 2007. The business community demanded workers from outside the area, local administrations turned a blind eye to the restrictive border regulations in force and recent arrivals took advantage of opportunities to integrate into the host society without any significant xenophobic reaction. To a large extent, this acceptance was due to the host society's subconscious collective memories of when it had been a poor migrant community. The province thus became home to one of the largest economic immigrant populations in Spain.

The international financial crisis has had dramatic consequences for the province, and the traditional model of production has been thrown into confusion. Unemployment has soared, the construction industry has plummeted and the industrial sector has shrunk significantly. The crisis has most affected the weakest sectors (young people, the unskilled and new citizens), but the Romanian community in Castelló, particularly the women, has demonstrated an enormous resilience to adversity. The Romanians have great advantages over other immigrant communities, especially in their ethnicity and cultural similarity, local recognition of their high level of training and professional skills and their EU member status.

The recession has brought many difficulties for the vast majority of these new citizens, but they have not decided to return home. The return programmes agreed between Spain and Romania have had very little take-up, repeating a pattern almost always seen in other countries and periods (Sopemi 2008 and 2009). It is a mistake to consider the migrant population as a necessary labour force in times of economic expansion that can be dispensed with when crisis hits. Migrants are economic agents, but above all they are people, social beings that put down roots and build relationships in the host community. Moreover, schemes designed to incentivise return generally fail because it is the immigrant who takes the final decision, and this does not depend only on the economic and employment situation in the destination country, but more importantly, in the country of origin. In Romania, the effects of the recession were not noted as immediately as in Spain and other western countries, but the situation has deteriorated rapidly since the beginning of 2009: job losses, fewer job vacancies and increased unemployment; circumstances that do not entice Romanians to return. Some migrants, though not all, will return when the job market stabilises and they can be sure of higher salaries and better professional opportunities. But these objectives seem far from attainable, particularly in the

short term; foreign investment has fallen and the European Union funds needed to boost the economy and modernise the country are in short supply. In the end, what is decisive is the migrant's vision of the future of his or her nation, and at present there are no motives for optimism. A large majority think, "I'll stay here rather than go back to earn a pittance in Romania".

The immigrant population, and in particular the Romanians in the province of Castelló, now form part of the current system of production and they will continue to do so in the coming years. Spain cannot manage without them for numerous reasons (demographic, employment, fiscal, cultural, etc.), all of which suggest that the present immigrant stock will on the whole remain stable, and once the recession is over migration flows will recover, albeit with different characteristics. But like the rest of the population, they will also have to adapt to new labour market needs.

Since the beginning of 2010 many indicators show optimistic signs of recovery, but everything indicates that the model of production in Castelló, as in the rest of Spain, will have to undergo a thorough restructuring and that the new labour market requirements will be different from those of the past decade. The type of worker will be highly trained, qualified and skilled, willing to be flexible over working hours and geographical mobility, with business initiative and able to be self employed, open to retraining and life-long learning, sensitive to gender issues, and with high relational capital. In addition, Romanian migrants must overcome their distrust of people and institutions and continue to demonstrate the huge capacity for integration into the labour market that they have become known for.

### Conclusions

The links between the economies of Romania and Castelló will continue to be strengthened in the coming years. The host society will become more deeply multicultural and the Castelló-Romania medley will be one of its essential components. Now more than ever, and not only for reasons of solidarity but because of socio-economic interests, Spain needs to improve its policies of integration. In order to avoid social tensions, all levels of government must guarantee the principle of equal opportunities and manage diversity in the right way. Both the society of Castelló and the Romanian community must take advantage of the potentials this diversity offers to ensure that the present welfare system remains sustainable.

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## SPATIAL DETERMINISM AND TERRITORIAL PUBLIC ACTION IN FRANCE: CHALLENGES AND EVOLUTIONS

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**Abstract:** The French policy called "*politique de la ville*" that was institutionalized in the 80s, aimed to manage social contemporary problems of low cost housing built by the state in the 50s and 60s at the peripheries of cities following grand schemes ("*grands ensembles*"). Based on the study of the actors of this policy since its beginnings and of its underlying ideologies, this article shows that these districts are managed at present following the same patterns of thinking as the ones that engendered them. Since the 60s, the criticism of these grand schemes of low cost housing carried on by slogans such as "living environment" and "urban self-management" determined an answer from public authorities. However, I argue that these responses used different terms but continued in fact on same track. An ideology of spatial determinism and an ideal of social mix span all French urban policies since the 50s, while the idea of urban participation appears and then fades away. These ideologies were and continue being inherent in understanding the relations between space and society.

**Key Words:** *urban space, living environment, urban policies, France*

### Introduction

This paper explores the relationships between urban space and politics. In 1973 Henri Lefebvre defined urban space as being a political space, that is not only a political product, but also a support, an instrument and a challenge for contradictory strategies and for confrontations (Lefebvre, 1973). I am focusing in particular on political contemporary space in France.

We begin by presenting the French case and some concrete examples of the policy called "*politique de la ville*" that was implemented since the 80s, including the political ideas that made it possible. Then we focus on the status and on the exact place that urban space occupies in public action and in the thinking of the various actors – politicians, urban planners, architects... We therefore discuss the issues of urban ideology (Busquet 2007a; 2007b; 2009) and its consequences.

To put it differently, we address the question if political contemporary representations consider space as a mere instrument – as a means – or rather as a real challenge for social change. Therefore I describe the way space is used as a tool in contemporary public action, starting from the representations of the relationships between space and society, dating back in the 70s, that led to the "*politique de la ville*" of the 80s.

First of all, we explain briefly the French "*politique de la ville*", its history and the context that witnessed its birth. In the second section of this paper, I identify the stakeholders that defended this policy and I analyze their ideas. This allows the study of the emergence of new slogans, such as "urban self-management" ("*autogestion urbaine*") and "living environment" ("*cadre de*

vie”) in the 60s-70s.

In the third section, I present the transfer of these ideas into action. I concentrate on the study of the ideology underlying this public policy, on the evolutions and adaptations of these systems of ideas in front of reality and practice and on their social and spatial consequences.

### **From “grands ensembles” to “politique de la ville”**

The policy called “*politique de la ville*” appeared in France after the political left-wing won the national elections, in the 1981. It is a multi-ministerial policy that essentially aimed to enhance positive aspects of “difficult” suburbs and districts, by managing the districts called “*grands ensembles*” planned by the former regimes. “*Grands ensembles*” are grand schemes of low cost housing, built from scratch and in a voluntary manner by the state, in the period of economic growth starting from the 50s up to the 70s (Dufaux, Fourcaut 2004).

In this period the French state has built a very large number of dwellings in city peripheral areas that were not yet urbanized and that lacked urban utilities, pursuing a *quantitative* objective. If we simplify, the goal was to build fast a large number of dwellings at the lowest cost possible, in order to house work force, made up especially of immigrants and rural migrants attracted by the needs of industry. Large “*grands ensembles*” appeared and multiplied in this context (Dufaux, Fourcaut 2004). They were created and reproduced employing standardized construction techniques functionalist and rationalistic design principles inspired by the *Charter of Athens*. We should also remind the fact that these housing complexes were supposed to allow the mixing of middle class and workers.

However, starting from the end of the 60s, in France especially the media started to talk about the “trouble of the suburbs” (“*mal des banlieues*”) referring to these neighborhoods: difficulties in cohabitation between different social classes, due to population distribution and housing policies (Chamboredon, Lemaire 1970), and a kind of boredom engendered by the functionalistic organization of space, by the lack of services, of leisure infrastructures – or, to put it shortly – lack of attractivity (Lefebvre 1960).

As a consequence, in 1973 the French state stopped building “*grands ensembles*” (“*Circulaire Guichard*”, after the minister of construction Olivier Guichard). Moreover, during the 70s, the majority of the middle class inhabitants left these areas in order to acquire private houses, this tendency being encouraged by a new policy supporting individual housing. In parallel, the economic crisis of the 70s and the growth of unemployment struck these areas particularly hard, since they were increasingly inhabited by poor people living in buildings that grew old quickly.

On top of all this, in the beginning of the 80s, the first riots of young people took place in the “*grands ensembles*” neighborhoods. It was in this general context that “*politique de la ville*” first appeared in the 70s, in an incipient phase, that was later institutionalized, in the 80s and 90s.

Starting from the 80s, “*politique de la ville*” was divided into several components (Dubedout 1983). A first branch targeted specific “populations” in order to control crime in districts designated as being “sensitive”. This type of action that could be called police-enforced or repressive was followed by a socio-economic component in which emphasis was placed on education, public services, tax exemption for companies, in order to encourage employment in these districts. The third component was particularly urban and spatial. It aimed to link these suburbs to the city centers and to open up certain districts<sup>1</sup>. This involved an intervention on

the physical space as well as the revival of the social mix principle that was already present during the construction of “*grands ensembles*”. From that moment on the departure of the middle class had to be prevented by making these areas more attractive and more secure (for the population, as well as for companies).

Shortly put, facing the obsolescence of these large social housing areas, in the last thirty years, the French state tried to repair, more or less successfully, what it has produced for two decades, since the 50s up to the 70s, in a former context of economic growth.

So the French “*politique de la ville*” consists of a series of measures introduced in order to provide a remedy to social and economic problems, that are understood as isolated and confined in space: therefore this type of territorialized public action is resolutely spatial. And this characteristic leads to certain hidden effects, that I shall point out further on.

But for a more detailed insight into this issue, we need to explore the complex sum of stakeholders that supported “*politique de la ville*” as well as their ideas.

#### **The actors of “*politique de la ville*” and their ideas**

At its beginnings, this policy was promoted by a small team of high civil servants and experts, graduates of the “*Ecole des ponts*” and of the National School of Administration (ENA), members of the elected local governments, NGO representatives, stakeholders coming from the social movement scene as well as of architects, to whom the authorities had granted the mission of reconnecting suburbs and cities<sup>2</sup>). Most of the actors who took part in the creation of this policy are still carrying it out at present.

But from an ideological point of view, “*politique de la ville*” was created in the 80s through an infusion of dissenting ideas in the state apparatus, a process that had been taking place since the 70s.

While it is true that an ideology guided “*politique de la ville*” at its origins, like all ideologies, this one was also constructed in opposition to another ideology (Mannheim 1929). But in this situation, I claim that we are facing continuity.

In order to explain this, we need to go back to the 50s and 60s, when urban policies revealed a desire to reinforce the role played by the state in town planning and in the field of construction. This period was dominated by the state intervention policy applied by General De Gaulle based on a rationalist urban ideology. The large suburban areas and the type of housing they proposed – “*grands ensembles*” –, were based on the *spatialist ideology*, which is a sort of spatial determinism over social activity. This issue was studied by Jean-Pierre Garnier (Garnier 2001) and Yves Chalas (Chalas 1997). This instrumentalist ideology is especially present in the case of architects and planners who conceive acting upon physical space as a way to transform society: “in order to change life and society, it is enough to change the city”. Colonizations as well as the former socialist systems in Central and Eastern Europe (who

1) In the beginning of the 80s were created: for delinquency prevention in these districts, The National Council for Delinquency Prevention (“*Conseil national de prevention de la délinquance*” - CNPD); in order to remedy spatial problems, the “*Mission Banlieue 89*”; and against social problems, the Commission of Social Development of Suburban Districts (“*Developpement social des quartiers*” - DSQ). In 1988 all these public bodies were brought together in a multi-ministerial authority (“*Délégation inter-ministerielle à la ville*” - DIV), and, later on, in an unique Ministry (“*Ministère de la ville*”), in 1990.

2) Roland Castro and Michel Cantal-Dupart, from the mission « Banlieue 89 ».

intended to create the “new man”) were an experimental field for this ideology that, just as most utopias, requires strong and often authoritarian political power in order to be applied. In the French case it went hand in hand with the interests of a *Gaullist* power who wished to modernize France, its economy and society.

This spatial determinist ideology integrated ideas of technical and architectural progress, of improved lifestyle and comfort, and combined these positive aspects with the need to offer accommodation to the entire French population.

We can undoubtedly apply here the theory of Habermas stating that technical ideas, modernization and ideology are entangled (Habermas 1968). Technical ideas and the city are thus conceived as determining the evolution of society and as synonymous to the idea of modernity (Castells 1972).

In the French case, this ideology developed on the premise of a prosperous society, and of a context in which slums, shantytowns and housing shortage were due to disappear. The ideology of modernity and of a strong central government has therefore seized urban issues and imposed its specific contents (Fourcaut 2002).

However, in opposition to the essentially *quantitative* approaches (the fast construction of a large number of housing units during the housing crisis), critics developed more social arguments concerning the “*grands ensembles*”, that were more *qualitative* and referred to social unrest, degradation of social life, tedium, and improper housing. Some of the first critics of these housing complexes were sociologists and, as a consequence, urban sociology began to develop in France starting from the end of the 60s (Amiot, 1986). Based on the themes of “living environment” and “quality of everyday life”, it was particularly developed by Marxists and by public figures such as Henri Lefebvre (Lefebvre 1947; 1962; 1968a; 1970b).

In parallel, social and urban movements were multiplying in France and they also started to contest the mono-functionality and the lack of community facilities of “*grands ensembles*”. These themes started a great deal of debate among the French “Second Left”. This was a non-communist movement promoting self-management, that introduced in the 70s the urban issue into French institutional and political life, through bodies such as the Unified Socialist Party (“*Parti Socialiste Unifié*”- PSU), the French labor union called “*Confédération française démocratique du travail*” (CFDT), and the “*Groupes d’Action Municipale*” (Busquet 2007a).

So French urban sociologists, members of the *Second Left*, participants in the social movements, as well as some of the left-wing catholic civil servants, began discussing about “urban self-management”. From the 60s on, these groups advocated for residents and city’s users to be taken into consideration in decisions and urban projects, along with their hopes and desires and, consequently, with their contributions. The idea of participation or of self-management was therefore developed in the 70s in response to the city planning practices of the preceding *Gaullist* period that had been technocratic and state-controlled. This idea is the heir of “urban self-management” advocated in the May 1968 movement against the same grievances and that Henri Lefebvre is the theoretician in France. “*Le Droit à la ville*” (*The Right to the City*, meaning the right of inhabitants to “centrality”, to “take part and to be informed”, especially concerning the dominated class) (Lefebvre, 1968a) was claimed by Lefebvre in the same time as “self-management of urban life” (Lefebvre 1970a). These are moreover the slogans took over by urban struggles of the 70s, especially those concerning collective facilities in the new “*grands ensembles*”, quality of life in these districts, or the pure contestation of “*grands ensembles*”.

But the end of the 60s and the 70s were in France also the years when the term “living environment” (“*cadre de vie*”) appeared. It was related to that of “quality of life” in the cities and it was taken over by the “urban middle class” who protested against existing urban social life (Dagnaud 1978; Bidou-Zachariasen 1982). This term does not refer only to man’s physical environment but also to his social environment.

“Living environment” commissions appeared afterwards in the left-wing political parties (PSU, French communist party, Socialist Party, etc.). The emergence of this term in political discourses denotes the new concern for the extensions of the dwelling, that are: its environment, neighborhood life, and, more generally, to urban issues from a more *qualitative* point of view (e.g. segregation, social life, esthetical qualities etc.). But “living environment” shows above all a change in scale in addressing social issues in the city, henceforth focusing on the individual and on the family. This approach is present in social sciences as well as in the field of politics.

Later on, throughout the 70s, the successive right-wing French governments chose to increasingly rely on the participation of citizens and to go back to a *qualitative* town planning that was closer to “human scale” (D’Arcy, Prats 1985). The presidency of Valéry Giscard d’Estaing (1974-1981) opened thus the way to a series of laws meant to improve “the living environment” and living conditions, the quality of architecture, to reduce the scale of city-planning and even to interfere in urban space from a social point of view.

In this way, these measures broke away from the preceding period and recovered the slogans of the left wing and of the social movements. This led to the implementation in 1977 of the first “housing and social life” programs (“*Habitat et vie sociale*” - HVS), which are the first experiences of “*Politique de la ville*” that the left wing will institutionalize in the 80s.

However, we should keep in mind that certain promoters of the *Second Left* had advocated these procedures previously, in 1973: they had participated in the HVS focus group set up by the government, aiming to improve social life in “*grands ensembles*” areas.

In parallel, in 1974 a large number of *Second Left* members joined the new Socialist Party. It was as a result of this presence that, participation, self-management and new town planning ideas have been integrated into the party discourse, a fact that later on influenced considerably the decentralization of public policies of the 80s. Above all, they promoted the “*politique de la ville*”, that the socialists introduced following their accession to power at the national level.

Therefore, we can argue that “*politique de la ville*” appeared at the convergence of different legacies coming from: leftist principles such as self-management, catholic thinking – through the intermediary of high civil servants (civil engineers, graduates of the ENA), of the *Second Left*, as well as urban sociology and social urban movements.

Consequently an “urbanization” of the discourses and of the standpoints of the French Left is produced by the convergence of these new stakeholders and of these new themes that emerge in the context of the social urban movements of the 60s and 70s: the idea of “urban participation” – that maintains a close relationship to that of self-management promoted by the PSU and by a part of the extreme Left – and the idea of “living environment”, closely related to that of “everyday life”, employed by sociologists. These themes go together with a strengthening of contestations, as well as with emergence of more *qualitative* claims as opposed to more *quantitative* previous ones. But, above all, they allow for the urban space to acquire a special place in political thinking, by consolidating its presumed role in solving social urban problems. In this way, this perspective distorts the nature of urban space as well as its

potential: urban space is not only perceived as the support and the ground of public policies or of their contestations, but it acquires a first degree qualitative status from a social point of view, as well as political, *i.e.* in terms of power and democracy.

At this point, I still need to discuss the ideology of “*politique de la ville*”, its application, its social effects and its evolution.

### **The ideology of “*politique de la ville*” its application and evolution**

Starting with the “*politique de la ville*” of the 80s, the urban territory became a challenge for political discourses and for public action.

But already in the 70s urban issues stated being dealt with at the local level of the neighborhood (Genestier 1999). Problems and their solutions became increasingly qualitative. A critique of authoritarian town planning led to another form of spatial determinist ideology. By assimilating local space as a social issue, this urban ideology implied that space was a challenge and determined collective identities which were generally defined in relation to their living environment, *e.g.* people living in shantytowns or in “*grands ensembles*”, etc. This logically led through to the leading idea of “*politique de la ville*”.

The spatial component of this policy, that I’ve already mentioned, has led to the programs *Mission Suburbs 89* (“*Banlieue 89*”) which, at the beginning of the 80s, promoted the reconnection of a certain number of territories, as well as urban renewal, housing improvement, renovation, demolition of housing blocks and towers. Furthermore, this policy led to the recent program of the National Agency in charge of Urban Renewal (“*Agence nationale pour la rénovation urbaine*” – ANRU).

This program sets forth the demolition of the most dilapidated housing estates and their replacement with new ones, comprising more diverse types of housing units (detached homes and collective housing). However, in practice, as the former “*grands ensembles*” are destroyed, their residents are being relocated to social housing elsewhere. Hence the ideal of social mix has disappeared. In accordance with its underlying spatial determinist ideology, more emphasis is placed on spatial segregation than on the structural causes of exclusion. However, it is not enough to raze the old housing in order to solve social problems, that in this way are relocated elsewhere. The method applied here means to demolish and to find the simplest solutions available: pure spatial determinist thinking has thus been translated into public action, in a similar way as at the time these *grands ensembles* had been built. If in the 60s, by means of urbanism and architecture we wanted to change society, for about thirty years now, in France, we want to *heal* or to *treat* society by means of taking action on space. The agenda has changed but the way in which space, its relations with society and to social groups are conceived, remained the same.

However, even when it deals with space – as in the case of urban renewal – or when it doesn’t, for thirty years “*politique de la ville*” has been translating social problems in spatial terms. Districts have been targeted in relation to zoning principles and this aspect has recently been reinforced by the concept of “priority geography” (“*géographie prioritaire*”).

Taking as a starting point the morphological indicators (*e.g.* the presence of “*grands ensembles*”), as well as social and economic indicators (*i.e.* school dropout rate, crime, percentage of young people, of unemployed, of single-parent families etc.), precise territories have been pointed out and circumscribed. Then the state put forward the necessary funding in order to take action in these precise areas. It therefore targeted “neighborhoods” and

“problematic populations”. It sought to localize and to translate social problems in spatial terms, thus representing an expression of spatial determinism. Moreover, the result of this practice was the stigmatization of certain populations in relation to their location and to their socio-demographical characteristics, and even more, regarding ethnic characteristics, as the French sociologist Sylvie Tissot pointed out (Tissot 2007).

By means of urban renewal and zoning, spatial determinism has been perpetuated, and moreover reinforced, in “*politique de la ville*”, even if, as we have shown here, it was already present when the zones treated by this policy had been conceived.

Similarly, we have already seen that social mix through housing, part of the “*politique de la ville*” principles, have been already present, at least in theory, in previous urban policies.

However, the ideas of self-management or of participation, that have been dominant throughout the 70s and 80s (Hatzfeld 2005), have gradually disappeared, mainly after the 90s, in spite of a continuity of the actors present since the beginning of this policy. Since then, we have been witnessing a reinforcement of the role played by the state, as it multiplied measures and funds. In the 80s, “*politique de la ville*” was based on a contract between the state and local authorities. Therefore, the projects were generated by local initiative and were based on negotiations at different levels and on different scales (Gaudin 1993; Le Galès 1995). A “democratization” at the local level thus developed in parallel to an “urbanization” of politics and policies and to a “politicization” of urban issues (Busquet 2007a).

Later on, after more riots and since the creation of “*Ministère de la Ville*” in 1990, a bureaucratic mechanism that strictly regulated all initiatives was put into practice. Nowadays, and especially since the creation of the National Agency for Urban Renewal (ANRU) in 2003, an extremely centralized administration is distributing public finances (Epstein 2005). The policy “*politique de la ville*” is nowadays conceived at the national level and is afterwards passed further on to local administrations. Ready-made solutions are proposed and the administrations pick one or another, without any diagnosis of specific problems.

Along with all this, since the 80s, a change in the discourses dealing with “*grands ensembles*” has occurred. Initially, “*politique de la ville*” was pointing out the existent qualities of these “difficult neighborhoods” and their potential, based on the competences of the inhabitants, through the idea of participation. Nowadays, the discourse is more and more compassionate and negativist: these neighborhoods are presented as being socially homogeneous (Tissot 2007). In a certain way, this idea goes along with a certain homogenization among “*grands ensembles*” and among their problems, since local contexts, be they social, economic or spatial, are being neglected.

To sum up all this, three ideologies underlie urban policies of the 60s, as well as the following “*politique de la ville*”, even if they take up different forms: spatial determinism, social mix or the importance of state intervention. Opposing this last idea, the promoters of “*politique de la ville*” have proposed self-management, and afterwards the idea of participatory democracy. However this innovative idea did not last long.

### **Conclusions**

A first couple of conclusions concern “*politique de la ville*” and territorial public action, and a third one regards urban ideology and space.

Firstly, concerning “*politique de la ville*”, I can argue that the aim of urban policy is at present to remedy problems related to the town planning heritage dating back to the *Gaullist* period, and to respond to the slogans and criticisms that dominated the end of the 60s and the urban social movements of the 70s. If left wing and urban sociological criticism have had any influence whatsoever on this policy, then it has been only indirectly. Their influence was conveyed by concepts and slogans, such as “*participation*” and “*quality of everyday life*”, that were imposed by urban sociologists, the *Second Left* and by urban social movements. Moreover, an ill-defined set of stakeholders and slogans, rather than a set of ideas set a link between this criticism and its answers.

Secondly, state intervention, in accordance with the wishes of local elected representatives, targeted territories rather than people. Thus spatial categorization of social groups and social categorization of spaces justify and legitimize public action. But this approach runs the risk of producing an amalgam, mixing people and built environment. This has, of course, as a consequence a strengthening of stigmatization of “sensitive” districts, or of districts presenting the risk of riots, that includes a stigmatization of the inhabitants of these districts.

Finally, concerning urban ideology, despite changing and evolving discourses and methods, a continuity can be noticed between urban policies of the 60s and “*politique de la ville*”. The choice to treat social aspects through spatial features persists, even if the final objective is no longer the same. Space has therefore a dialectic status: it is always criticized and it always becomes the salutary tool in discourses and practices. As political instrument, urban space crystallizes contemporary political thinking and becomes a means for intervening on the social issues: in the past, by means of building activities, and nowadays, by razing former dwelling complexes. We can therefore ask ourselves if “*politique de la ville*” isn’t actually trying to manage the inherited “*grands ensembles*” by the same kind of thinking that engendered them. Spatial determinism, as well as social mix – principles that underlay the construction of *grands ensembles* from the 50s up to the 70s – are thus supposed to cure their problems, as well as to remedy contextual outcomes, such as riots, segregation and anomie of these suburban neighborhoods.

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## SUB-NATIONAL REGIONAL DEVELOPMENT AND DEGREE- AWARDING TERTIARY EDUCATIONAL INSTITUTIONS IN NIGERIA: DESCRIPTIVE, GEO-DEMOGRAPHIC AND GEO-SPATIAL ANALYSES

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**Abstract:** Public and private investments in educational institutions as a means of catalysing economic growth has been recognized a veritable strategy for developing human capital, increasing productivity and competitiveness at various regional levels. Nigeria's multiplicity of cultural groups whose political sensitivity to (in)equality in the sharing of nationally pooled resources has been a source of conflicts including the 1967-70 civil war, presents an ideal scenario for understanding the extent of balance or otherwise of tertiary educational opportunities across the national landscape. This has not been sufficiently addressed in the academic literature. This article reports findings of a study of the provision of degree-awarding tertiary educational institutions (TEIs) by governments and private entities in Nigeria's sub-national regions. Geo-demographic-spatial and description analyses were used to analyze secondary data. We found among others that: the numbers of TEIs provided in the sub-national regions (geo-political zones and their constituent states) have not been determined by the population size of the sub-national regions (state/territory); highest concentration/localisation of TEIs were in Nigeria's South-West geo-political zone. It is argued that the full government financing of education implemented in the former (South) Western Region about half a century ago (since the 1950s) laid the foundation for creating critically needed human capital mass that has continued to regenerate in multi-dimensional strategies for establishing more TEIs thereby promoting regional development in the present South-West Region thereby contrasting with Nigeria's other geo-political regions.

**Key Words:** *sub-national region, education, investment, economic growth, human capital, Nigeria*

### Introduction

Academic research and policy has recognized the distinctive contributions of tertiary educational institutions including universities and degree-awarding institutions (hereafter described as UDA-TEIs), research-oriented and related institutes, to national research and development (R&D) efforts, and by extension, the promotion of technical change, which leads to economic growth, social development and progress and advancement of national competitiveness. TEIs, especially universities have since their advent functioned to produce human capital (or human power) required in industry, and other institutions of society by training students and staff in addition to providing community services. While the emergence of large and powerful transnational corporations (TNCs) that command enormous financial resources with which they influence and wield political power in advanced countries led to the establishment of privately managed R&D organizations in some industrial sectors (e.g. pharmaceutical industry), TEIs have remained important in promoting most national R&D efforts. The rise of such private, TNC-related R&D establishments was part of the factors that led to the suggestion in the mid-1980s that the scientific and technological resources and

potentials of universities were underutilized. The quest for socio-economic development and improved national competitiveness also led to the assessment of the degree of cooperation, interaction and linkages between universities and industry in the Global North (Stankiewicz 1986).

UDAElS contribute to the development of cities and rural areas. Owing to the way they attract and sustain populations of considerable sizes comprising students, academic and research workers, visitors, and so forth, TEIs contribute to the growth of population within the concentrated areas and promote urbanization. Globally, educational and related services provided by TEIs have been instrumental to the achievement of economic, social and environmental change. This happens in various ways. By providing higher knowledge, developing human capita; and skills, and offering cultural services, settlements hosting TEIs continuously attract populations searching for these services thereby contribute towards scientific and technological change and catalyzing , cosmopolitanisation of towns and cities. Some TEIs assist graduating students to become entrepreneurs by spinning-off firms from their research theses within the environs of the institution (University of Aberdeen, Scotland, 2005-09). Some TEIs in the United States of America have reportedly pioneered the creation and management of biotechnology firms (Geiger 1992, Kenney 1986).

In Nigeria, the establishment of TEIs has been one of the central elements of the policy of deliberate urbanization involving the creation of sub-national regional units namely: states and local government areas (LGAs) whose capitals are usually urban centres which are given statutory recognition to receive allocations of public funds for provision of community services and social infrastructure (Mabogunje 1973). Deliberate creation of states by government has mostly been followed by the citing of TEIs either within or close to the state capitals. This policy recognizes the distinctive contribution of TEIs to the development of the host states in various dimensions. Although, Nigeria's successive constitutions (Nigeria, 1979-2011) have stressed that equitable sharing of opportunities for well-being of citizens is one of the nation's core values, it has been observed that despite the way contest for resources managed by Nigeria's federal government by the nation's multiplicity of ethno-cultural groups has led to conflicts including the 30-month civil war from 1967-1970 (Ladipo, 1989), government policy is yet to seriously strive towards achieving equity among the various sub-national regions as inequality in infrastructural development still reigns supreme (Ingwe, 2011). The extent to which equity is applied in sharing and providing tertiary educational opportunities in Nigeria's sub-national regions is poorly understood.

#### **The problem**

Irrespective of the distinctive contributions of tertiary educational institutions (TEIs) especially universities to human capital development, technical change and by extension socioeconomic development in the Global North, the Global South has needlessly emphasized the importance of natural resources as a strategy of generating national income. Countries of the Global South which have achieved (or are achieving) socioeconomic development more recently (e.g. India) are those which have shifted the policy paradigms from emphasizing natural resource exploitation for export towards human capital development. By relying on the export of crude (petroleum) oil and more recently, export of natural gas, for earning a disproportionately large share of national revenue, Nigeria is one of the best examples of the countries of the Global South that depend on natural resources to achieve socioeconomic development.

Although the contribution of TEIs (especially universities) towards increasing the competitiveness of regions has been recognized at the national level, its role in the development of sub-national regions is similar to what obtains nationally. How this has happens

within federal systems which feature fairly autonomous and independent sub-national governments with great stakes in providing tertiary education involving establishment of TEIs that are initiated and managed by state governments remains poorly understood. This is the case in Nigeria, where the contest for the shares of financial and other natural resources pooled together for sharing by a rather highly centralized government led and dominated by the Federal Government to the detriment of other federating tiers has been discredited as the cause of the Nigerian civil war between 1967 and 1970. Moreover, the extent to which other federating tiers of government in Nigeria (especially the 36 states and Federal Capital Territory) have employed universities as means of achieving human capital development and improving their individual competitiveness is poorly understood. Additionally, academic research in Nigeria have treated issues related to universities as separate aspects or topics in the academic fragment of education sector strictly. Such restrictive studies fail to place UDA-TEIs strategically for consideration as vital factors contributing to regional development at various levels. By such practice and thinking, Nigeria's academic research has thus far failed to relate the nation's TEIs as a system, their magnitude, distribution by sub-national regions to the wider regional development characteristics of the country.

In this paper, we strive to answer the following questions: What factors have determined human capital development policy response (measured by the total number on degree awarding tertiary educational institutions per sub-national region) in Nigeria? Have the total number of degree awarding tertiary educational institutions (UDA-TEIs) per sub-national region (state or territory) been determined by demographic characteristics or have they been determined by specific sub-national regional human capital development policy? We concentrated on degree-awarding institutions and excluded those institutions awarding pre-degree diplomas and certificates. Although such (pre-degree) qualifications are also awarded by TEIs, we excluded them from this study only because it was convenient without implying that such qualifications are not important. Inclusion of such pre-degree qualifications is outside the scope of this study.

### **Objectives**

The objective of this paper is to contribute towards informing public policy on the management of tertiary educational institutions and socio-economic development in (Nigeria). The specific objectives are: To show the number and structure of tertiary educational institutions in Nigeria; and, to describe the spatial and structural characteristics of tertiary educational institutions in Nigeria.

This article is organized in sections. In the remainder of this paper, we present the context for tertiary education in Nigeria, followed by the theoretical framework for the discussion involving elaboration of the human capital theory, and various models for financing education used by different countries. We answer the research question: What factors determine the provision of TEIs at Nigeria's sub-national regions by presenting and using geo-demographic and spatial methods to analyse data on: (a) population and (b) tertiary educational institutions covering for the country's 36 states and federal capital. Afterwards, we examine the role of variable sub-national policy on education financing in determining the differentiation in TEIs across the national landscape. Then, we present and discuss the findings of the study, conclude the article and recommend strategies to improve policy on tertiary education and demographic characteristics.

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**Relating the context (rapid rhythm of population growth, poverty, unemployment) to the unmet need for education in Nigeria**

Nigeria's population rose from 88.9 million people in 1991 to over 140 million in 2006. The nation's population has been dominated by younger people aged 0-34 years. Using the medium variant method, the following school age population was projected by 2010 (from the 1991 census); Nursery (age 3-5 years) 14,579,418; primary (age 6-11 years): 25,530,654; junior secondary (age 12-14 years) 14,597,027 and senior secondary (age 15-17 years) 10,017,709, tertiary (age 18-25) 22,137,396 while others (age over 26 years) was 55,343,059 (National population commission 1991). Nigerians have responded to prolonged or nearly chronic poverty afflicting between 70-90 per cent of the population and unemployment/ underemployment as well as a system of employment based almost solely on certificates by massive demand or contest for university and tertiary education. In the past three decades, the number of applications for admission/ places in universities especially and other tertiary institutions has always outstripped the vacant places available (Joint Matriculations and Admissions Board (JAMB) Registrar's Reports, National Newspapers and Journals 1990s-2009). Therefore, it can safely be concluded that the need for tertiary education has been unmet in Nigeria.

**Tertiary educational attainments in Nigeria (1991)**

The acquisition of tertiary (higher) education by Nigerians aged 6 years has been rather low. With a total population of 88.99 million in 1991, Nigeria's population distribution by highest level of education showed that those who had graduated from tertiary institutions were only two per cent (17,842) for polytechnics, and colleges of education; one percent (i.e. 29,277) for universities, and "others (i.e. not specifically or clearly categories; 11% (352,689). Other levels of education attained were: "senior secondary schools/technical and teachers Training College" was; eight percent (281,032); "junior secondary school/modern": seven per cent (238,382; "primary"; 25% (821,710); "none"; 46% (1,517,185) and "Not stated" (0%) (16,399), (National Population Commission, 1991) (Table 1). Nigeria has been experiencing a high population growth rate as follows: 88,992,220 in 1991 and 140,003,542 in 2006.

Official data reported Nigeria that had 178 university equivalent institutions in 2005, 83 universities in 2006, 10,153 secondary schools in 2006 and 54,434 primary schools in 2006. Enrolment of students and pupils in educational institutions recently was: 810,132 students in universities in 2006; 237,708 students in university equivalent institutions in 2005; 6,909,170 students in secondary schools; and 23,046,766 pupils in primary schools in 2006. The number of teachers in the institutions were; 26,321 in universities in 2006; 16,499 in university equivalent institutions in 2005; 159,812 in secondary schools in 2006 and 611,750 in primary schools in 2006 (National Bureau of Statistics 2007; 33). With about as large as 28.1 million pupils in the nation's primary schools, combined with the desire to develop human capital, there is every need to be as informed as possible about tertiary educational institutions, which will be in high demand in the near future. What was the level of adequacy (i.e. number of) tertiary educational institutions in Nigeria recently? What has been the recent geographic distribution of tertiary educational institutions in the country?

Planning for improvement of education and human power in Nigeria has had to contend with the following problems since the nation attained political independence from her British Colonialists in 1960: First, appropriate techniques for quantifying required skilled human power; second, the best techniques for determining the optimal resources required for implementing educational programmes. The operationalisation of cost benefit and human power planning

approaches was considered important during the period of reconstruction of Nigeria after the civil war that was fought for about 30 months, between 1967 and 1970 (Ogunsheye 1971: 659).

*Table 1*

**Educational attainment by Nigerians aged six years and older**

Educational level	No of graduates	% of total
University	29,277	1
Polytechnic/college of education	57,842	2
SSS/TTC/Tech	281,032	8
JSS/Modern	238,382	7
Primary	821,710	25
None	1,517,185	46
Others	352,689	11
Not stated	16,399	0
Total	3,314,516	100

Source: *Post-Education survey, National population commission, 1991*

Some problems hampering national unity in Nigeria are: contest for satisfactory or acceptable shares of resources under the federal system of government, ethnic suspicion and distrust within 440 ethnic linguistic groups identified, specific acts of injustice, unbalanced development with lopsided allocation of resources. Although information on educational institutions is available, they are usually presented in terms of absolute aggregate numbers. There is inadequate information on the magnitude and geographic (spatial) distribution of educational institutions as well as their adequacy for various populations over the national territory. This information gaps hamper proper planning of educational opportunities in ways that the need for education and how to provide the goods and services can be better addressed. To contribute towards addressing the information gap, this article examines the spatial distribution of tertiary educational institutions (TEIs) in Nigeria.

**Human capital theory**

There has been an improvement in the perception that formal (or full-time) education (that is based in institutions, and the skills they inculcate into their graduates) contributes immensely towards increasing the welfare of individuals and the region since the middle of the 20<sup>th</sup> century. However, while the perception that increased schooling (or education) benefits the individual (through improved wages and increased employment opportunities) has increased tremendously and well known to persons and groups, the perception of the benefits or contribution of education to regional development has not attained the level of popularity associated with individuals and families and has been more restricted to particular regions at various levels (countries, sub-national regions e.g. states, provinces, districts, and so forth). Generally, it is believed that increased education creates human capital, that is, causes an improvement in their productivity (or the capability of individual worker and/or group of workers to add value to their personal lives and also those (lives) of their families and societies.

This perception of the value of Human Capital (HC) is more recent and different due to its reference to human beings contrasted to the previous and original conception or association of the key word (capital), which denoted physical capital such as tools, machinery, factory, and so forth). Another reason for the increasing profile of human capital is the way it is being increasingly considered to be one of the most important drivers of other physical capital. However, irrespective of the fact that human capital is relatively more recent compared to the

conventional capital, its popularity has increased rapidly to the point that the human capital theory was formulated. The theorization of human capital goes beyond the contribution of formal education or schooling and the direct costs associated with it. It includes the perception of workers regarding the acquisition of human capital. Workers believe that human capital is also created through indirect costs associated with the quest of individual workers for improved skills through further training, thereby forfeiting current earnings and consumption as a means of increasing future income and employment chances. This decision that is frequently taken by individuals and group of workers is analogously followed by regions and nations when determining the amount of investment required for education and training necessary for producing the level of human capital required for achieving development goals and objectives. Human capital theory is a variety of the rational choice theory and a modern representation of Adam Smith's (1960 / 1776) explanation of wage differentials based on "net (dis)advantage" among various employments. The net advantage to a worker results from the cost of training for a job or amount of investment in human capital or the quality of education/training undertaken by a worker or group of workers in preparation for a job. Economic growth has been expected to result from widespread or considerable investment in human capital or the production of the desired labour force (i.e. the type that possesses the human resource-base required for producing goods and services) for the society. Some examples have been cited to explain the potency of the contribution of human capital to national and regional development. They include: the rapid reconstruction of some nations that were devastated through military conquest during the Second World War; the rapid industrialization and economic growth achieved by Japan and also more recently, the South-East Asian nations.

Some deficiencies have been identified with the human capital theory. It is difficult to measure some of the concepts (e.g. worker productivity, future income, and the central idea: human capital) associated with it. Improved productivity, as conceived by various employers and /or the labour market, is not guaranteed by all investments in education-one of the major sources of human capital. The discussion of worker productivity – a major issue in the human capital theory- tautologically refers to actual differentials in earnings, the same point that the theory sets out to explain. Owing to the high proportion of variance in actual earnings, although some of this could be resulting from variation in skills, it has been suggested that the imperfect structure and functioning of the labour market play important roles, in addition to those attributed to worker productivity differentials. Despite the criticisms associated with the human capital theory, it is relevant to the field of education generally, and also to related fields such as the sociology of education and training (Smith 1960; Scott and Marshall 2005: 279; Kalra 2006: 155).

### **Educational Financing**

This term describes a framework or system of generating, sharing or allocating, and spending revenue to provide education in a region (be it country, province, state or other entities which undertake the responsibility). It includes directions, policies, revenue appropriation mechanisms adopted for pursuing objectives and goals of the education system. It involves the following activities; formulating and forecasting suitable revenue generation and expenditure strategies; Elaborating and rationalizing various methods of generating, allocating and disbursing the available revenue or funds; establishing a system for clarifying various patterns of fund flows that form foundations for educational financial control and accounting; establishing rational bases for deciding on the stakeholders or strata of the society to bear the burden of financing education and also providing required goods and services; designing appropriate systems that are rational, efficient for accounting and control required for managing resources in the education system or institutions and divisions.

### **Models for Financing Education**

Three major theories of educational financing have been addressed towards answering questions; what is the most suitable formula for sharing the burden of providing education among stakeholders or strata of the society including; households, workers, companies, communities and so on? What financial mechanisms would be best suited for achieving the objectives of region's education system while minimizing or eliminating disruptions? We present the three major theories below.

*Full Government financing of Education.* John Undie (2007) traces the origin of this theory to Morrison Morpet's argument in 1974. It advocates that the public sector should bear full responsibility for financing education for the immense benefit of both the individual and the entire society. This is to ensure that none of those who seek to be educated is denied a chance to achieve such noble aspiration. It is frequently enshrined in the nation's legal document especially the constitution thereby clarifying the level of type of education that citizens in need should get or be given. It is usually associated with central governments which are considered to be most strategically positioned to generate funds, control and manage programmes, institutions in ways that the goals and objectives of education can be achieved. Other levels of government (district, provincial or state and municipality), are under this model, not expected to play the major role that is expected from national government. Some advantages have been associated with it. It is seen as a means of Equalization of educational opportunities for most groups of citizens forming the nation (e.g. ethnic or racial communities, regions etc thereby reducing inequality in socio-economic terms. It is considered to be an instrument for ensuring that sharing of resources among national constituencies (groups) is implemented without conflicts, disruptions and disagreement. By so doing, it is believed to justify and reward all constituencies for the contribution (egg tax) and rate burdens that they bear. It also satisfies educational needs of the constituents. It has been criticized for being resource intensive and demanding by people who are unduly emphasizes scarcity of resources. Some claim that it fails to reward people who contribute more the most through tax by allocating to them a commensurate share of the educational goods and services purchased with their contributions. The resource scarcity critique of the model has also stressed it in appropriateness under Structural Adjustment Programmes SAP in developing countries (Undie 2007:52). This critique turns out to be weak considering the recent unpopularity of structural adjustment policies (SAPs) across sub-Saharan Africa and more recent collapse of the Washington consensus variety of neoliberalism as shown by the 2008 global financial meltdown that rapidly culminated in the global economic recession (Brand and Sekler 2009).

*Partial Government Financing Model.* This framework involves the financing of education by all stakeholders or constituents of the society including households, companies and government.

There are two kinds of this model as described below:

- A partial government financing of education designed to equals socioeconomic conditions of the population (Cubberly 1906). Cubberly's theory, which has remained popular for over a century is considered to be one of the pioneering advocacy for state-public financing of education, emphasized fairness to various groups in the society.
- The Strayer–Haig equal access model was aimed at employing state instruments to accomplish equalization of educational opportunities for all who need an education. It emphasized the use of uniform effort and standards to ensure that every child who needs education gets it within the confine of the nation – state implementing

the policy. Implementation of uniform tax burden on parents and guardians of children requiring education was proposed as the appropriate mechanism for guaranteeing educational financing (Strayer and Haig 1923: 173). Districts & communities within a nation implementing this model are allowed and encouraged to augment central government resource allocations as a way of raising educational standards within their jurisdictions. This allowance poses a problem; it promotes competitiveness through the increased quality of education permitted. Then it contradicts the equalization of educational opportunities earlier desired.

*Private Financing Model.* This model proposes that private entities (firms, organizations etc) rather than the government should finance education. The complete exclusion of government from the financing of education is justified by the “confidence” reposed on the ability of market forces (demand and supply) to use price mechanism as determinants of the price to buy and sell education. One of the most prominent critiques of this model is based on the recurrent problems (collapse) of the market system. Education is widely perceived as very important to be left to the vagaries of market system-where it is bound to suffer serious damage that society cannot afford.

The Government financing (both full and partial) have been more frequently adopted and praised due to several reasons: Education is widely perceived as social goods and services which bring about immense benefits to the society including citizens and the government. Moreover, benefits derived from education are considered to be external (to the individual who receives it), therefore its acquisition is commonly recommended to be made universally i.e. to be shared widely among citizen rather than restrict it through privatization. The private investment model is perceived to be susceptible to under investment - a situation that makes government financing inevitable to raise the standard for the society. The rich, their children and wards stand to gain much more than the poor majority when education is privatized. The resulting exclusion of the poor majority leads to problems in the society, economy and polity. Inability of most people to gain skills and knowledge renders them unemployable and reduces their entrepreneurial capability. Increasing unemployable breeds social and political disruptions and conflicts.

Government financing of education facilitates large-scale investment and derivation of economies of scale: through taxation, government raises revenue to finance and manage institutions required for implementing education programmes. The private sector is limited and therefore resorts to the application of limited resources, providing small-scale resources to establish the required goods and services to provide bases for educational programmes (Undie 2007:52-57).

### **Social capital investment at the sub-national regional scale**

The role of sub national regional investment in social capital development as a means of stimulating economic growth and competitiveness has been acknowledged for nearly half a century- by regional economists. Benjamin Chinitz argued that regional economic growth was largely determined by local production of entrepreneurs and the rate or willingness of the entrepreneurs to perceive and to exploit existing opportunities. He contended that some opportunities may not be visible, while entrepreneurs may not be as mobile as would be necessary to size opportunities existing outside their usual places of residence and work. More importantly, he argued that the flow of entrepreneurs (and their talent) and the historical occurrence and cumulative effects of this played a key role in causing regional development. The failure of a region to stimulate development through investment in education, and related

processes (egg industrial manufacturing, commerce etc) required for raising the quality of the local population suffers huge losses of entrepreneurs: Apart from not producing enough of entrepreneurs, the few available are prone to out migration to other regions possessing the prerequisites for seizing and exploiting economic growth-inducing opportunities. This leads to steady decline in productivity beneath levels that would have been achievable if conditions were more favourable.

Chinitz also argued that the national market is not the plat form where entrepreneurs and growth opportunities contend or confront each other as some used to think. Instead, sub national regions provided refreshing and new platforms. The contribution of regional-based entrepreneurs to the gross national product is significant in determining the total size. Entrepreneurship was the underlying factor, hindered as it has been by its variability by region, its friction or mobility problems over space; local development stimulus or incentives. The more the number of competent entrepreneurs, the more likely high are the chances of their seizure of existing business (and by extension economic growth) opportunities (Chinitz 1966).

Previously, the significance of entrepreneurship had been documented. It was distinguished from labour (one of the three factors of production; land, labour and capital, thus making it to stand alone and separately-under the capitalist market system. (Olaore 1980: 129). Entrepreneurial talent has been credited with determining the degree to which manufacturing (establishments and activities) localized in a particular city (region) and by extension its variation over space-based on studies of the United State of America. This applies to the specialization of certain cities (regions) in the manufacture of specific products. The role of entrepreneurship in shaping development, generally, and national economic development, in particular, has been acknowledged by several scholars (Hall 1902, Schumpeter 1949, Cole 1955, Parker 1954, and Ranis 1955).

While the pursuit of national development in some countries still unduly emphasis natural resources (such as petroleum oil, natural gas and minerals), a new paradigm has emerged that places high premium on human capital. It was recently estimated that human capital (describing the national or regional stock of people equipped with education, skills from training, and good/sound health) contributes about 75 percent (i.e. three quarter) of the wealth possessed by a modern economy. The remainder (25 per cent) could be derived from other sources including physical capital accounts, infrastructure and so forth (The national scholar: editorial 2002:1). In recognition of its distinctively important contribution to national and regional economic growth, human capital has been described as a new factor of production that scholars who earlier identified land, labour and capital (contrasted to human capital) ignored or were unable to perceive.

The acquisition or creation of human capital has been credited to gaining of experience, greater knowledge, skills and other abilities competencies required for building economic success. It has been stressed that mere educational institutions is not enough for creating human capital (Obadina 2007: 49). More evidence has been provided to illustrate or buttress the importance of human capital to economic growth. A recent survey of the quality and return to workforce from 27 countries revealed that the most popular nations where foreign work talents are sourced (sought) are: USA, China, and India, Mexico & the Philippines. Some of these countries are the largest recipients of remittances by the human capital possessors as follows: China (US\$ 25:7 billion). Indian workers demanded from abroad include: engineers, nurses, construction specialists and drivers. India has been on the list of the world's top 10 fastest (economically) growing countries (<http://www.siliconindia.com/shownews/43078>).

Although they are not the sole contributors or determinants of human capital development, educational institutions provide required foundations for gaining further skills, knowledge and talent that form human capital. Therefore, knowledge of educational institutions in a particular region is necessary for determining their (in) adequacy for producing the needed workforce or human power. Moreover, knowledge of the geographic (spatial) distribution of educational institutions cover the region or nation helps to clarify issues pertaining to justice, fairness, balanced development and social order required for ensuring peaceful environment that is devoid of rancour, disagreement and conflict.

### Methods

We used a combination of methods: geo-demographic, including spatial analysis, and description. The methods of geo-demography and spatial analyses involve the use of the well-developed but simple geometric “language” that scientists have employed to better understand problems that could be expressed over geographic space, uses metrical units to measure distances based on the Euclidean space concept.

This concept refers to space that is based on the Euclid and is measured in metrical units. It has been recognized by philosophers of science as providing a suitable form of measurement of physical distance on *terra firma*. Euclidian space has offered geographic research both advanced as well as simple geometric “language” that provides tremendous value (Harvey 1969). Therefore, it is presented as a multi- (that is, two or more) dimensional scheme for analyzing problems and phenomena that are amenable to representation in geospatial formats or a framework that possesses geographical references such as coordinates (latitudes and longitudes). For example, the first two dimensions of a Euclidian space conceptual framework designed to resolve a geographical problem comprises the distance between the two axes in space namely: “x” and “y”. The remaining two dimensions could be: “z”, which denotes magnitude of a feature, or event (e.g. demography i.e. population and its characteristics), while another axis, “t” could describe time over which the event of interest occurred or the feature developed (Harvey 1969). The relevance of this concept of space to geographic analysis and the increasing frequency of its application by geographers in analyzing myriad of development problems has made this spatial analysis to become synonymous with geography and studies that are considered to be geographic (i.e. spatial) in the literature. Therefore, the term spatial is commonly used to describe the application of geographic space meaning the distribution of things (features, phenomena and so forth) on the earth’s surface (Demers, 1999).

The amenability of this concept for constructing multiple dimensions of problems thereby facilitating analysis makes it suitable for this study. It is also useful in the analysis of spatial (i.e. geographic) distribution or sharing of things (features, objectives, events and so forth) over an area (Harvey 1969: 223-226, Demers 2000: 485). In this study the “thing” of our concern was the distribution of universities and degree awarding institutions while the spatial units were constituted or represented by sub-national regions (36 states and federal capital, Abuja). In order to answer the question concerning the extent to which demographic factors are considered in the formulation of policies regarding human capital development and the establishment of degree awarding tertiary educational institutions, we employed the geo-demographic methodology. This comprises the application of: (a) geographic information science, a variant of geographic information systems (GIS) that involves advanced modeling of geographic datasets representing variables endowed with spatial attributes); (b) spatial analysis and, (c) spatial analytic tools. The methods facilitate the development of sophisticated statistical techniques for analyzing datasets that concentrate on demographic variables including distributions of human population in geographic space and their interactions or inter-

relationships with other development issues. The application of geo-demographic analysis has reportedly led to immense improvement in the performance of commerce and for-profit activities by marketers of goods and services in the United States of America and elsewhere (Goss 1995). Demography defines the scientific study of human populations including their size, composition, distribution, density, growth and the population's other social, economic, and political characteristics within a delimited territory or region (National Population Commission (Nigeria 1990) adds value to information for policy.

We also used the method of description to show the structure of the universities and degree awarding tertiary educational institutions (UDA-TEIs) thereby highlighting their properties or attributes in terms of their general type, area of concentration namely; conventional, technological, agricultural, ownership (e.g. by federal, state, private individuals and/or organizations and other entities. This classification is necessary for creating logical relationship required for modeling the distribution in a way that the reality can be more accurately represented in a clear way (Lipschutz 1986:1-2). This was also necessary for creating and applying a simple database system required for computing and producing information of interest for achieving the objectives of this study.

#### **Data and sources**

We obtained and used data from secondary sources namely the Joint Admissions and Matriculation Board (JAMB), which is Nigeria's official agency responsible for producing and publishing "Guidelines for Admissions to First Degree Courses in Nigerian Universities and other Degree Awarding Institutions" (JAMB 2008/2009). Population data were extracted from the most recent census of population and housing conducted in 2006 by another official agency: the National Population Commission. Data collected by these official agencies are considered as reliable and have been widely used for research. Considering that the original data were not explicit and could not graphically show the spatial distribution of the degree awarding institutions and their characteristics, we undertook to process them as a way of transforming them into information, from which knowledge could be produced.

#### **Data processing and analysis**

We reorganized the data and produced matrices that included a column for depicting the spatial units representing the sub-national regions constituting Nigeria namely; the 36 states and federal capital territory, Abuja. Our geo-demographic analysis involved computation of per capita quotients of available degree awarding tertiary educational institutions in each of the sub-national regions by dividing their total number existing in each of the sub-national regions during the 2008=09 academic session by the regions' population in 2006. We perceived the total population as convenient for the computation by assuming that the benefits of tertiary educational institutions accrue to various strata of the total population: either directly as students or indirectly as parents, employers, among other relationships. The values of the resulting quotients (column "d", table 2) were ranked in order to highlight variations in such opportunities by state/territory.

Other columns were produced to represent the structure of the universities and degree awarding institutions (type including; ownership by tier of government or private sector). The cells (boxes) within the matrices were used to show the frequency of occurrence of the institutions by type, characteristics or structure (see Tables 2 and 3). While the foregoing operation elucidated on the consideration of demographic and population factors in providing

tertiary educational institutions, it was limited in clarifying variations in sub-national regional policies on human capital development.

Therefore, we used the six geo-political zones created and applied since the 1990s for most resource sharing programmes in Nigeria as a framework for classifying each of the spatial units (states and territory) (Fig.1 and Fig.2) into their respective geopolitical regions thereby facilitating the description of the regional characteristics of the degree awarding tertiary educational institutions. The purpose was to highlight the localization of the universities and degree awarding institutions within the various constituent geopolitical zones in the country. The other structural aspects of the institutions (type, ownership) were retained or repeated in this matrix (see Table 3). The aim was to inform about the expression or distribution of these properties and attributes at the geopolitical zones level.

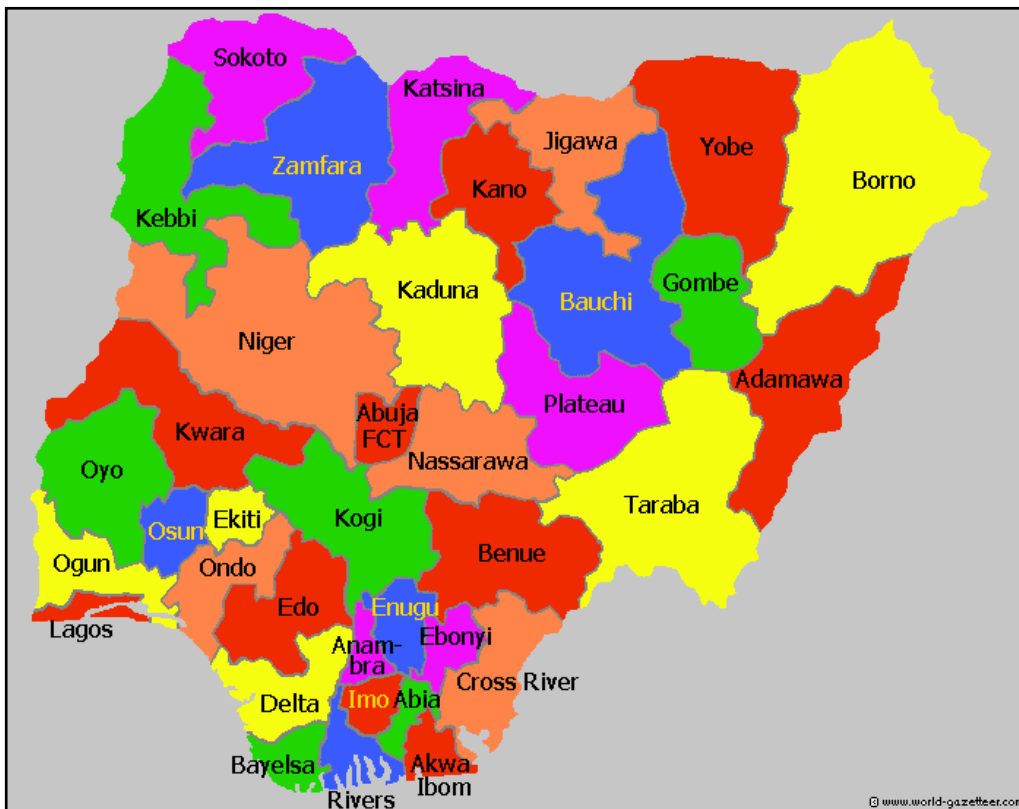


Fig.1 - Nigeria: 36 Federal States and Federal Capital Territory, Abuja

### Findings and Discussion

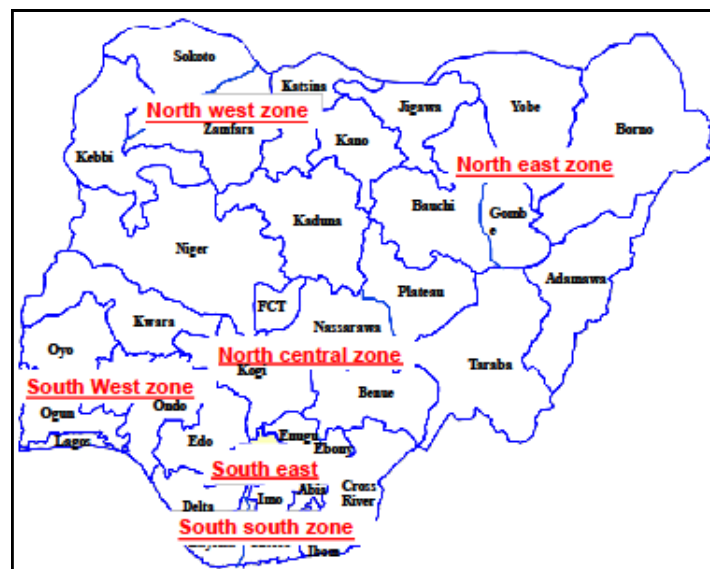
Have the total number of degree awarding tertiary educational institutions per sub-national region (state or territory) been determined by demographic characteristics?

The extent to which population is considered in providing tertiary educational institutions in

Nigeria's states/territory might be best illustrated by reference to some of the states which exhibit contrasts in terms of the correspondence of demography and number of TEIs available to the population. Examination of the relationship between the population of Nigeria's 36 states, FCT and their respective numbers of TEIs (columns b and c respectively of table?) shows that the number of the latter does not follow the size of the former. While some states with large populations have low number of TEIs (e.g. Kano Nigeria's most populous state 9383,682 persons in 2006 had only three TEIs), other less populated states (Ogun state whose population of 3728,098 in 2006 was less than half of the population of Kano yet had as high as seven TEIs).

**Per capita quotients of number of degree awarding tertiary educational institutions for the population by sub-national regions (states and federal capital territory, Abuja)**

The foregoing point is more clearly represented by results of computation of the shares (quotients) of TEIs available to the various populations of the sub-national regions (column d of table 2). The most outstanding of the lack of correspondence of number of TEIs available to sub-national regional populations could be illustrated by some states. For example, while Kano state, located in the northern part of Nigeria, Nigeria's most populated sub-national region (with 9383,682 persons) in 2006, it had only three TEIs translating into a per capita quotient of  $(3.20 \times 10^{-7})$  in 2008-09. State policy contrasts to the Kano state scenario could be illustrated with some states. First, Ogun state whose population in 2006 of 3728,098 was less than half of that of Kano had as high as seven TEIs translating into a per capita quotient of  $(1.88 \times 10^{-6})$  in 2008-09. The second contrast to Kano is Lagos (the second most populous Nigerian state: 9013, 534) and had seven TEIs translating into a per capita quotient of  $(7.77 \times 10^{-7})$ . The profuse exhibition of this lack of correspondence between population size and number of TEIs in other Nigerian states (including: southeastern state: Anambra; north central state: Kaduna; etc) is shown in details in table?



*Fig.2 - Nigeria's Geopolitical Zones*

Table 2

## Geo-demography and number of UDA-TEIs by sub-national region

a. State/Territory	b. Population (2006)	c. Total number of DA-TEIs in sub-national regions	d. Per capita TEIs /state	e. Rank of SNR Based on value of per capita TEIs
Abia	2,833,999	3	1.05857E-06	10
Adamawa	3,168,101	2	6.31293E-07	17
Akwa Ibom	3,920,208	2	5.10177E-07	23
Anambra	4,182,032	7	1.67383E-06	5
Bauchi	4,676,465	1	2.13837E-07	35
Bayelsa	1,703,358	3	1.76123E-06	3
Benue	4,219,244	1	2.37009E-07	34
Borno	4,151,193	2	4.81789E-07	24
Cross River	2,888,966	4	1.38458E-06	7
Delta	4,098,391	1	2.43998E-07	33
Ebonyi	2,173,501	4	1.84035E-06	2
Edo	3,218,332	2	6.2144E-07	18
Ekiti	2,384,212	3	1.25828E-06	8
Enugu	3,257,298	1	3.07003E-07	32
Gombe	2,353,879	1	4.24831E-07	27
Imo	3,934,899	3	7.62408E-07	14
Jigawa	4,348,649	0	0	36
Kaduna	6,066,562	4	6.59352E-07	16
Kano	9,383,682	3	3.19704E-07	29
Katsina	5,792,578	2	3.45269E-07	28
Kebbi	3,238,628	1	3.08773E-07	31
Kogi	3,278,487	2	6.10037E-07	20
Kwarra	2,371,089	2	8.43494E-07	12
Lagos	9,013,534	7	7.7661E-07	13
Nasarawa	1,863,275	3	1.61007E-06	6
Niger	3,950,249	4	1.01259E-06	9
Ogun	3,728,098	7	1.87763E-06	1
Ondo	3,441,024	2	5.81222E-07	19
Osun	3,423,535	6	1.75257E-06	4
Oyo	5,591,589	5	8.942E-07	11
Plateau	3,178,712	1	3.14593E-07	30
Rivers	5,185,400	3	5.78547E-07	21
Sokoto	3,696,999	2	5.40979E-07	22
Taraba	2,300,736	1	4.34644E-07	26
Yobe	2,321,591	1	4.30739E-07	25
Zamfara	3,259,846	0	0	37
FCT (Abuja)	1,405,201	1	7.11642E-07	15
Total (Nigeria)		97/97	6.9284E-07	National average

Notes: DA = Degree awarding

Sources: Authors' computation from data obtained from Nigeria's Federal government Report of 2006 Census by National Population Commission 2007 and the JAMB 2008/9.

Table 3

**Spatial distribution of tertiary institutions by states and tertiary**

	Federal conventional universities	Agricultural Federal universities	Federal universities of Technology (FUT)	State conventional universities	State technology universities	Private universities	Others Degree Awarding institutions	Total of all degree Awarding Institutions
1 Abia		1 (Umudike)		1(Uturu), ABSU)			1(Ogbor Hill, Aba)	3
2 Adamawa		1(Yola, FUT Yola)				1 Yola		2
3 Akwa Ibom	1 (UniUyo)					1 (Obong Ntak)		2
4 Anambra	1(NAU) 1 (UNN)				1(Uli, Anam Tech)	1 (Okija) 1(Oba)	1 (Onitsha), (Awka)	7
5 Bauchi		1(Bauchi, TBU)						1
6 Bayelsa				1 (Yenagoa) NDU		1 (Mkar)		3
7 Benue		1(Makurdi)		1(Makurdi)				1
8 Borno	1 (UniMaid)							2
9 Cross River	1(UniCal			1(X-Calabar, CRUTCH)		1(Kwale) 1 (Oghara)		4
10 Delta			1(Effurun, UniPetrol Resources	1(Abraka)				1
11 Ebonyi				1 (Abakaliki)		1(Benin), 1(Benin)		4
12 Edo	1 (UniBen)			1(Ekpoma AAU)			1(Ikere-Ekiti)	2
13 Ekiti				1(Ado-Ekiti, UNAD)		1(Amorji-Nike 1 (Ojiagu Agbasi)		3
14 Enugu					1 (Enugu, ESU)			

	Federal conventional universities	Agricultural Federal universities	Federal universities of Technology (FUT)	State conventional universities	State technology universities	Private universities	Others Degree Awarding institutions	Total of all degree Awarding Institutions
15 Gombe				1(Tudun-Wada)				1
16 Imo			1(Owerri, FUTO)	1(Owerri, MSU)			1(Owerri)	3
17 Jigawa								0
18 Kaduna	1(ABU)			1 (Kaduna, KASU)			1(Zaria), 1 (Kaduna)	4
19 Kano	1(BUK)			1(Kano, KSUST)			1(Kano)	3
20 Katsina				1(Katsina)		1 (Katsina)		2
21 Kebbi						1(Aliero, K)		1
22 Kogi				1 (Anyigba, Kosu)		1(Lokoja)		2
23 Kwara	(Un Ilorin)					1(Ilorin)		2
24 Lagos	1 (UniLag)			1(Ojo, LASU)		1(Ikeja) 1 (Lag) 1 (Ikeja)	1(Yaba, 1 (Yaba)	7
25 Nasarawa				1(Keffi)		1(Karu)	1(Akwanga)	3
26 Niger			1(FUT Minna )	1(Lapai, IBBU)			1(Minna), 1 (Kontagora)	4
27 Ogun		1 (Abeokuta)		2(Ago-Iwoye,		1(Ota), 1 (Ota),1 (Igbosa) 1(Abeokuta)		7
28 Ondo				1 (Akungba -Akoka)			1(Ondo)	2

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	Federal conventional universities	Agricultural Federal universities	Federal universities of Technology (FUT)	State conventional universities	State technology universities	Private universities	Others Degree Awarding institutions	Total of all degree Awarding Institutions
29 Osun	1(OAU)					1(Iwo), 1 (Osogou), 1(Ikeji Arakeji)	1 (Ilesa), 1 (Ila-Orangu)	6
30 Oyo	1(Ui)				1 (Ogbomoshola) LAU Tech	1(Oyo), 1 (Ibadan)	1(Ibadan)	5
31 Plateau	1(UniJos)							
32 Rivers	1 (UniPort)				1(Port Harcourt), RSUST		1(Port Harcourt)	3
33 Sokoto	1(UDUni)						1(Sokoto)	2
34 Taraba						1(Wukari)		1
35 Yobe				1 Damaturu				1
36 Zamfara								0
37 Abuja FCT	1(Abuja)							1
Total (Nigeria)	16	3	5	21	5	28	19	97/97

Sources: JAMB (Joint Admissions and Matriculation Board 2008/2009 UME/DE Brochure Guidelines for admissions to first degree courses in Nigerian universities and others Degree Awarding Institutions (in Nigeria): 13-17.

The frequency (number of universities and degree awarding institutions) in the states/territory in descending order is presented below (table 4).

**Number of UDA-TEIs in various states and territory**

Three states had the highest number (seven) of UDAs, one state had six, one also had five and 16 had four. Twenty one states had three UDAs; 18 had two, 10 had one each and two had none.

Table 4

**Representation of the number of UDA-TEIs in various states and territory**

No of U&DAIs		States/territory in the category	Territory no of states
8	No of UDAs X No of states/territory		
7	7 X 3 = 21	Anambra, Ogun & Lagos	3
6	6 X 1 = 6	Osun	1
5	5 X 1 = 5	Oyo	1
4	4 X 4 = 16	Edo, Delta, Kaduna, Niger,	4
3	3 X 7 = 21	Abia, Benue, Enugu, Imo, Kano, Nasarawa, and Rivers	7
2	2 X 9 = 19	Adamawa, Akwa-Ibom, Cross River, Ekiti, Katsina, Kogi, Kwara, Ondo, & Sokoto	9
1	1 X 10 = 10	Bauchi, Bayelsa, Borno, Ebonyi, Gombe, Kebbi, Plateau, Taraba, Yobe, & Abuja FCT.	10
0	0 X 2 = 0	Jigawa and Zamfara	2
Grand Total	97		38

Source: Computed by authors from data obtained from reliable official sources

**Localization or concentration of UDA-TEIs in Nigeria's six geopolitical zones**

The concentration of all types of UDAs, by absolute number and percentage, in descending order of magnitude in the six geopolitical zones was as follows (Fig.2). The South-West (geopolitical zone had 29.9 per cent (i.e. the largest number) of all the institutions in the country. This was followed by the North Central zone with 18 (or 18.56 per cent); the South-East with 17 (or 17.53 per cent); South-South with 16 (or 16.5 per cent); North-West with 10 (or 10.31 per cent) and North-East with 14 (or 7.22 per cent).

**Federal Conventional Universities (FCUs).** The concentration of FCUs in descending order of magnitude was as follows: four FCUs (the largest number) in the South-South zone; three in the North-West, North-Central and South-West; two in the South East; and one in the North-East.

**Federal Agricultural Universities.** The distribution of federal agricultural universities (FAUs) in descending order of magnitude was; one in the North-Central, South-West and South-East. None was located in the South-South, North-East and North-Central.

**Federal Universities of Technology (FUTs).** The concentration of FUTs in descending order of magnitude was as follows: two (largest number) in the North-East; one in four geopolitical zones (North-Central, South-West, South-East and South-South) and none in the North-West.

**State (Conventional) Universities (SCUs).** The distribution of conventional universities established and managed by state governments in descending order of magnitude was; highest (six) in the South-West; five in the North-Central and South-South; three in the South-East and two each in the North-West and North-East.

**State (Technological) Universities (STUs).** State universities of technology established and managed by state governments were concentrated in descending order of magnitude as follows: two in the South-East; and one in the North-West. None were reported in the South-South, South-West, North-Central and North-East zones.

**Private Universities.** Private universities were concentrated, in descending order of magnitude, as follows: 12 in the South-West; five each in the North-Central and South-South; four in the South-East and only one in the North-East.

**Other Degree Awarding Institutions (ODAs).** The ODAs were concentrated in descending order of magnitude, as follows: seven in the South-West; four each in the North-West and South-East; three in the North-Central, and one each in the North-East and South-South.

Table 5

Localization of UDA-TEIs in Nigeria's six geopolitical zones

	Federal conventional universities	Agricultural Federal universities	Federal universities of Technology	State conventional universities	State technology universities	Private universities	Others Degree Awarding institutions	Total (All U& DAIS)	% of Total
<b>North East</b>	1		2	2		1	1	7	7.22
1 Adamawa			1				1	2	
2 Bauchi			1					1	
3 Borno	1							1	
4 Gombe				1				1	
5 Taraba						1		1	
6 Yobe				1				1	
<i>Sub-total</i>								14	
<b>South - South (B)</b>	4	1	5			5	1		16.5
1 Akwa Ibom	1					1		2	

	Federal conventional universities	Agricultural Federal universities	Federal universities of Technology	State conventional universities	State technology universities	Private universities	Others Degree Awarding institutions	Total (All U& DAIS)	% of Total
2 Bayelsa				1*				1	
3 Cross River	1			1*				2	
4 Delta			1	1		2		4	
5 Edo	1			1		2		4	
6 Rivers	1			1			1	3	
Sub-total								16	
<b>South-East</b>	2	1	1	3	2	4	4	17	17.53
1 Abia		1		1			1	3	
2 Anambra	2					1	2	7	
3 Ebonyi				1				1	
4 Enugu					1	2		3	
5 Imo				1			1	3	
Sub-total									
<b>South-West (C)</b>	3	1	1	6		12	7	29	29.90
1 Ekiti				1			1	2	
2 Lagos	1			1		3	2	7	
3 Ogun		1		2		4		7	
4 Ondo			1	1			1	2	
5 Osun	1					3	2	6	
6 Oyo	1			1		2	1	5	
Sub-total									
<b>North-West (D)</b>	3			2	1		4	10	10.31
1 Jigawa	-	-	-	-	-	-	-	0	
2 Kaduna	1			1			2	4	
3 Kano	1			1*			1	3	
4 Kebbi					1			1	
5 Sokoto	1						1	2	
6 Zamfara	-	-	-	-	-	-	-	0	

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	Federal conven- tional univer- sities	Agricul- tural Federal univer- sities	Federal univer- sities of Techno- logy	State conven- tional univer- sities	State tech- no- logy univer- sities	Private univer- sities	Others Degree Awarding institu- tions	Total (All U& DAIS)	% of Total
Sub-total									
<b>North- Central (E)</b>	3	1	1	5		5	3	18	18.56
1 Benue		1		1		1		3	
2 Katsina				1		1		2	
3 Kogi				1		1		2	
4 Kwara	1						1	2	
5 Nasarawa				1		1	1	3	
6 Niger			1				2	4	
7 Plateau	1							1	
8 FCT, Abuja	1							1	
Sub-total									
Total									97.1

Notes: \* Despite inclusion of the term “technology” in their names, JAMB put them under conventional (traditional) universities.

**Ranks of the six geo-political zones in terms of provision of UDA-TEIs under the context of the regional population characteristics**

The ranking of states based on the geo-political zones that they belong to shows that the states under the North-East zone had the following ranks: Adamawa (17), Bauchi (35), Borno (24), Gombe (27), Taraba (26), and Yobe (25). The states constituting the South-South geo-political zone achieved the following ranks: Akwa Ibom (23), Bayelsa (3), Cross River (7), Delta (33), Edo (18), and Rivers (21). Two of the six states in this zone were ranked in the top ten, one in the top 20, while the remainder (three) were in the 21<sup>st</sup> – 33<sup>rd</sup> position. The ranks of the South-East states were: Abia (10), Anambra (5), Ebonyi (2), Enugu (32), and Imo (14). The South-West states contained as much as 29.90% of the total number of UDA-TEIs in Nigeria and were some of the highest as they ranked between Ogun (1), Ekiti (8), Lagos (13), Osun (4), and Oyo (11) and Ondo (19). This is the only region that had up to three states whose ranks were in the top ten positions and the other three in the top 20. The states in the North-West were ranked thus: Jigawa (36), Kaduna (16), Kano (29), Kebbi (31), Sokoto (22), and Zamfara (37). The North-Central geo-political zone which has the highest number of states and territory, the ranks were as follows: Benue (34), Katsina (28), Kogi (20), Kwara (12), Nasarawa (6), Niger (9), Plateau (30) and the FCT (15).

The way population size has been ignored in the provision of the UDA-TEIs is most conspicuously demonstrated by the computation, comparison or relation to the percent population of the sub-national regions and their constituent states (Table 6). It shows that the sub-national regions with the highest numbers of UDA-TEIs were not those hosting the largest population. For example, while the percent population of Nigeria's total residing in the South-West (19.7%) was exceeded by that in the North West (21.4%), the former had a higher percent (29.9%) of the total UDA-TEIs than the latter (10.3%).

Table 6

**Ranks of sub-national geo-political zones with their constituent states/territory**

Region	Population (2006)	% of Nigeria's total population	National rank: per capita UDA-TEIs	Total (All UDA-TEIs)	% of UDA-TEIs of Nigeria's Total
<b>North-East</b>	18971968	13.6		7	7.2
1 Adamawa	3,168,101	2.3	17	2	
2 Bauchi	4,676,465	3.3	35	1	
3 Borno	4,151,193	3.0	24	1	
4 Gombe	2,353,879	1.7	27	1	
5 Taraba	2,300,736	1.6	26	1	
6 Yobe	2,321,591	1.7	25	1	
<b>South-South (B)</b>	21014655	15.0		17	16.5
1 Akwa Ibom	3,920,208	2.8	23	2	
2 Bayelsa	1,703,358	1.2	3	1	
3 Cross River	2,888,966	2.1	7	2	
4 Delta	4,098,391	2.9	33	4	
5 Edo	3,218,332	2.3	18	4	
6 Rivers	5,185,400	3.7	21	3	
<b>South-East</b>	16381729	11.7		17	17.5
1 Abia	2,833,999	2.0	10	3	
2 Anambra	4,182,032	3.0	5	7	
3 Ebonyi	2,173,501	1.6	2	1	
4 Enugu	3,257,298	2.3	32	3	
5 Imo	3,934,899	2.8	14	3	
<b>South-West (C)</b>	27581992	19.7		29	29.9
1 Ekiti	2,384,212	1.7	8	2	
2 Lagos	9,013,534	6.4	13	7	
3 Ogun	3,728,098	2.7	1	7	
4 Ondo	3,441,024	2.5	19	2	
5 Osun	3,423,535	2.4	4	6	
6 Oyo	5,591,589	4.2	11	5	
<b>North-West (D)</b>	29994366	21.4		10	10.3
1 Jigawa	4,348,649	3.1	36	0	
2 Kaduna	6,066,562	4.3	16	4	
3 Kano	9,383,682	6.7	29	3	
4 Kebbi	3,238,628	2.3	31	1	
5 Sokoto	3,696,999	2.6	22	2	
6 Zamfara	3,259,846	2.3	37	0	

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Region	Population (2006)	% of Nigeria's total population	National rank: per capita UDA-TEIs	Total (All UDA- TEIs	% of UDA- TEIs of Nige- ria's Total
<b>North-Central (E)</b>	26058817	18.6		18	18.6
1 Benue	4,219,244	3.0	34	3	
2 Katsina	5,792,578	4.1	28	2	
3 Kogi	3,278,487	2.3	20	2	
4 Kwara	2,371,089	1.7	12	2	
5 Nasarawa	1,863,275	1.3	6	3	
6 Niger	3,950,249	2.8	9	4	
7 Plateau	3,178,712	2.3	30	1	
8 FCT, Abuja	1,405,201	1.0	15	1	
<b>Total</b>	140,003,542	100.00			97.1%

Notes: \* *Despite inclusion of the term "technology" in their names, JAMB put them under conventional (traditional) universities.*

#### **Sub-national regional human capital development policy and number of UDA-TEIs in Nigeria**

The extent to which sub-national regional policy on educational financing has determined the variability in availability of TEIs in the different geopolitical zones of Nigeria was explained by A. Babs Fafunwa, the nation's foremost educationist who is regarded as the father of education in the country. The variation emerged during the era of self-determination in development generally and in education in particular when Nigeria operated three (and later four) geopolitical zones between 1951 and 1970. Although the military dictatorship led by General Yakubu Gowon created 13 states as a means of promoting unity among the nation's multiplicity of ethnic groups in 1967, the eruption of a civil war in that year did not allow the existing development planning and management culture to be based on the four sub-national regions to get altered radically by the new geopolitical configuration until the war ended in 1970. It was during that era of self-determination that the (south) Western Region under the leadership of its Premier: Obafemi Awolowo broke with the past education policy by introducing free and universal primary education. Although, other Regions (North and East) followed the pioneering example by the Western Region to establish a university for their respective regions, Awolowo's free education programme among other deep education policies enabled the region to achieve higher enrolments in institutions. He established the University of Ife, as a regionally owned and managed institution thereby adding to the existing University of Ibadan, earlier established in the 1940s by Nigeria's national government. The Western Region's education programme has been described as one of the boldest, most unprecedented and most comprehensive education schemes in sub-Saharan Africa. This is because of the way it comprised massive establishment of various types of secondary schools (technical, grammar, teacher training, modern, etc and the serious efforts that were made to meet the deadline for completing the projects that was fixed for January 1955. The setting up of the Banjo Commission by the Western Region, six years after introducing the free universal education programme enabled the region's government to learn and to improve upon the policy including the introduction of various laudable educational innovations. By 1963, the Ajayi Commission Report helped the Western Region government to overhaul the education system (Fafunwa, 2004: 189-192, Fafunwa 1967). During Nigeria's second and fourth Republics (1979-1983 and 1999-present), Awolowo's political legacy of free universal education has been perpetuated by governors who adopt and apply his policy. The continuing implementation of this treasured

localized policy in the South Western states (Lagos, Ogun, Ondo, Oyo, and Ekiti). The implementation of this policy of greater or full government financing of education has enabled the Yoruba to receive free education and thereby advance beyond the educational attainments of other geo-political regions. In other words, the policy has assisted the Yoruba to become Nigeria most highly & largely educated tribe in the country with the highest numbers of educated/trained human power in various professions- from journalism, law, accounting, scientists to engineering among others. It is widely and frequently stated in education-speak in Nigeria that one of the South-West states (Ekiti) has the highest number of university professors in Nigeria. None of Nigeria's other five geo-political zones has adopted the free-education policy that became customary in the South-West since the 1950s. The extant literature reports that scandalous corruption has been depriving masses of Nigeria's poor citizenry of financial and other resources that could have been used for human capital development such as health-care, education, etc (Smith 2007, Omojola 2007, Ribadu 2009). Further research could hypothesize that the higher educational attainment in the South-West serves as a means of curbing corruption in the human capital development aspect in the South-South through checks and pressure provided by educated people.

#### **Limitations of the study**

Institutions awarding pre-degree diplomas and certificates (such as ordinary and higher diplomas, certificates of education, agriculture, information and communications technologies, among several others) were excluded from this study due to convenience. A more comprehensive (preferably better funded study is required to elucidate on the contribution of these institutions towards compensating for the deficit in degree-awarding institutions in the sub-national regions studied.

#### **Conclusion and policy implications**

The results of this study has shown that the policy of governments and other organizations providing tertiary education in Nigeria at sub-national regions have ignored demographic factors and failed to tackle the problem of inequality in opportunities for advancement of various cultural groups constituting Nigeria. Instead such policies have been determined by the perception of individual states/territory of the value or contribution of human capital to sustainable development. The study's findings that south western Nigeria has the highest number of TEIs have been linked to the extant literature that credits greater achievement in education to the pioneering emphasis of the Obafemi Awolowo premiership of the region on educational development. This policy was continued by successive governments of the western region, which have done this in political opposition to the federal government from the 1950s up to the present. Owing implementation of full government financing of education in the region in the 1950s, the largest pool of social and human capital created from the policy has created a legacy of placing high premium on tertiary education. This is demonstrated by the findings that the region has been in creasing the number of tertiary institutions via a combination of private and public financing models. The huge turn out of human capital resulting therefore should provide lessons for the rest of Nigeria's states and territory to emulate. While this study informs policy on universities and degree awarding institutions there is need further studies on the graduation of professionals and scholars in various subjects to improve understanding of specific disciplines and areas of human capital development by states and geopolitical regions to inform targeted policy on development.

Considering that human capital development has been used as a strategy for achieving greater sustainable economic growth in several countries (e.g. North America, Western Europe, Asia,

etc), Nigeria's state governments would do their regions good by investing more on creation and management of TEIs while restraining the federal government from promoting inequity in providing TEIs. Moreover, there is need for the state governments to mobilize other stakeholders providing UDA-TEIs to consider addressing imbalances and demand for UDA-TEIs, where deficits exist. Further research should explore the relationship between the magnitude of tertiary educational institutions and human capital development programmes and their contribution to economic growth generally, and specifically entrepreneurial development and cognate issues in Nigeria. Further analysis/description of the contribution of the federal government of Nigeria to the imbalance in providing TEIs is required for refining policy.

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## BOOK REVIEWS

**Theories of Development. Contentions, Arguments, Alternatives.**  
Richard Peet and Elaine Hartwick. New York: Guilford Press, 2009, xii  
and 324 pp, ISBN 978-1-60623-065-7 (pbk).

**Reviewed by** Alexandru Gavriș, The Academy of Economic Studies from Bucharest,  
Bucharest, Romania

In a world in which political decisions seem more and more to be the result of some schools of scientific thinking, the authors R. Peet and E. Hartwick propose, in „Theories of Development”, to critically reflect upon the scientific theories of development. This demarche must be regarded in the historical, conceptual and partially spatially determined evolution of the respective theories, which tone the strong transformations during the last 20 years. Starting from the first edition, written in 1999, and based on the frame offered by Global Capitalism (1991), R. Peet critically presents the evolution of the development paradigm, being helped in the seventh chapter by E. Hartwick. The result is a new book which keeps only traces of the previous ones. The book is a history of development and understanding the different branches which the concept gained starting from the Illuminist stage of science development until present. The summing up of the development theories specific to occidental thinking represents the reason why each research which regards the implementing of decisions of economic improvement and restructuring must have in view this book.

Although we are warned since the beginning (pages 3-4) upon the complex, contradictory and disputable understanding, even at the level of the best aspirations of humans and mankind, the authors assume a risky position along the more than 300 pages of presentation and critics of the theory. They try to be impartial in the critical presentation of most of the theories, but they hit against what they underlined in the beginning: development is “*subject of the most intense manipulations*” (page 4).

Thus, it can be noticed a much accentuated critics of certain theories, especially of those neo-liberal and the partisan position towards others. Moreover, on the trajectory of the book, the idea of the necessity of a best alternative is more and more argumentatively inserted (out of all the worst – an underlining omitted or un-evaluated from most of the studies) – democracy (Aristotel, 2001). In the authors’ opinion, “*democracy, emancipation, development and progress are good principles of modernity [...] corrupted by the social form taken by modernity – capitalism*” (page 280). But without going deeply into the stages of the concept of development in the ancient thinking, considering it appeared only in the 18<sup>th</sup> century, and using only partially the works belonging to eastern-European and Asian thinking, the authors succeed to contour a unitary assembly for the analysed periods and spaces. Therefore, the open attitude and the limitation to the emergence of the paradigm in the occidental space facilitates the continuous discovery of the feelings of joy in reading the book with the purpose to understand the history of the concept of development, being stimulated by the critical perspective. As these elements can be noticed even since the beginning, from the introduction and preface, the book’s reading allows to use the text as a basis for critical analyses of detail, as a reflexive support of development and through them, we should be able to learn some of the techniques of modern critics.

The structure of the book regards 3 large parts, reflecting the frame of critics of the theories of development presented in the 7 corresponding chapters, plus the introductory

chapter. Each of these has got well integrated sub-chapters. Organised in this manner, the book also offers an excellent orientation side, each structure being followed from the evolution point of view and allowing the reflection upon the more difficult parts which the authors anticipate, too. The authors encourage *“reading and re-reading, reflexion and communication until you understand them”* (page 19).

Chapter 1 is dedicated to contending the main thesis of the present book. Development must not be bent to the interests of moment given by the subjective scientific approach of those who hold power (persons, groups of interests, international bodies etc). This must be critically approached by each person, only together being able to reach the goal mentioned by the authors: *“a better life for all of us”* (page 1).

Conventional theories represent the group of four chapters which form the first part of the book. Along the 3 chapters concentrated on classical and ne-classical theories, on the evolution of thinking starting with the Keynesian approach and up to neo-liberal approach, on the approach of development in terms of the modernisation phenomenon, the main theoretical marks are found. These are toned by the determinations which influenced them and which led to their present evolution, as an essential support of political decisions.

The second part moves the attention towards non-conventional theories of development. It is developed around the presentation of the Marxist and socialist theories, being the only one which is followed by the description of the exhibition space. Besides these, chapters 6 and 7 treat development, continuing a challenging approach in which presentation is followed by the detailed critics of their main objectors, and then the authors present their own opinion regarding the approached problems.

The last part, although includes a single chapter, reveals the method used along and which gives the title of this component: critical modernism. Thus, if until now it is possible to

lose sight of the used method, the authors remind it (see chapter 1) and also detail it, in order to understand the desire of critics and change of the perspective of the concept of development, the one which is considered to be, besides democracy, misused and even misunderstood.

Starting from the geographic background of the authors, a spatial integration at graphic level of some of the elements presented would have been preferred. In the present text, they would have been really useful for simplifying the understanding and the reception of the material. The visual help would have been excellent in the conditions in which the book is already at the second edition. Also, the reading pleasure would have been higher in the conditions of providing more dense information regarding the development of the Asian space, where ideas like those of Muhammad Yunus allow a new orientation of development, either in countries from the inferior part of development – Bangladesh, or in those countries which regard the first position - China. This is only an example, possibly sensitive, in a world lacking trust in people.

The stages of extraordinary development recorded by some of the Asian countries on the basis of the own conceptual visions besides the adapting of western ones should claim more attention. The text would be this way complete, and the possibility of comparison would not be kept under the Occident's umbrella, a promoter of a democracy anyhow misunderstood.

The book does not address a certain discipline/ subject. This can be read equally by those who are at the beginning of their research, by those who want a better understanding of the world we live in, or by the researchers interested in the global catching of new perspectives highlighted by critical Geography. Thus, the reading of „Theories of Development” becomes essential for anyone who wants to contribute to the improvement of life by the understanding of development and this way its good applying, one of the most

widely used concepts, no matter the referential level.

In the end, I want to add that this book can be remembered by listening to the songs Handlebars and Rise of the Flobots.

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**Territory and Development. Dilemmas of Regional Modernity.**

Miroslava Czery, Arturo Vallejos Romero, James Park Key eds.

Warsaw: University Press, 2009, 281 pp, ISBN 978-83-235-0421-4

(some studies are elaborated in English, others in Spanish).

**Reviewed by** Cristina Merciu, University of Bucharest, Bucharest, Romania

Territory and development. Dilemmas of Regional Modernity represents a recent study focused on the development of space and of the effects generated on geographic, economic, social, cultural scale, being a result of the efficient collaboration between the researchers of the Faculty of Geography and of the Centre for Regional Studies within the University from Warsaw and those of Centre for Local and Regional Development (CEDER), University of Los Lagos, Osorno, Chile. The book presents the results of some comparative case studies from Poland and Chile regarding the complexity of the process of urban development and at regional level.

The study is structured in four chapters, generous from the point of view of the text and of the multi-criteria approach of the concept of spatial development. On their turns, the chapters are divided into 20 articles (11 elaborated by the Polish researchers, 9 elaborated by Chilean authors)

In the first part of the book entitled “Thoughts on regional development”, the theme of local and regional development is treated from a theoretical perspective, and it is synthesised in 3 articles. The first article indicates the particular aspects of the Chilean state’s history, whose coordinates were under the influence of colonialism, for a long period of time. Although initially the study seemed to have a nostalgic note/ character as a result of

the author’s references to modern Chilean poetry, exactly selecting the artists whose poems treat Chilean society during post-colonialism, the references are not accidental, but they are meant to reflect the depth of the aspects poetically/ artistically treated, which also present political connotations regarding the modern Chilean cultural landscape and the necessity of retrieving local identity.

The second article treats a modern theme represented by the social vulnerability which is met at the crossroads of several disciplines of study (Sociology, Geography, Psychology). The term, also relatively recent, is also analysed from the Geographical perspective: how are the people affected by different hazards and disasters etc. In the author’s opinion, the analysis of the regions’ classification is based on their diversity, which is established depending on two extremely important aspects for the regional analysis, namely: the characteristics of natural environment and the level of economic development. The author situates these two criteria as being part of the category of “hard” factors, which were taken into consideration until now in the specialised literature, and have recently manifested themselves in the Geographic literature, too. To these factors the author adds a series of new “soft” factors as “live hood and social vulnerability” which tend to have a significant influence upon a territory’s development. The author has the

merit to draft the research “niche” specific to the field of Geography as regards the term of social vulnerability caused by natural extreme phenomena, the environment changes and also to emphasize the importance of the Geographic studies from this segment. Thus, the author establishes an important role of Geography as a science. The third article treats the new tendencies identified at the level of the studies regarding local development.

The second part of the book is centred, as suggestively indicated its name - “Development and the environment” – upon the impact of natural environment on development. Although we are used to regard the process of development from the perspective of its impact upon natural environment, in the present book the analysis of this sensitive issue is regarded from a very special perspective, considering the natural environment as a whole, as an economic resource which could indicate varied forms of using the territory, ensuring at the same time its entire integrity, representing an instrument for education, too, as it is stated in the first chapter included in this section. The philosophy of this chapter is based on the idea that environment could represent an essential component of education and its identification as a paradigm with the purpose of diminishing the unbalances between regions. The second article included in this section indicates from the title the solution of sustainable development of a territory, starting from the natural factor (forestry, respectively the conservation and exploitation of original forests as an alternative solution of the sylvan-pastoral activity which could generate unbalances for the natural environment).

The third study exposes the context and pressure over natural resources that generates socio environmental conflicts focused on some case studies in Chile and Latin America.

The third section of the book draws attention on the relationships established between culture and the process of development, as

well as on the impact upon identity. The articles selected for this part of the study refer to inter-culture as an effect of globalisation and there implicitly appear questions related to the conservation of local identity. Globalisation may create a series of influences upon the anthropo-central system, too, which can be located several times by the “borrowing” of social behaviour. One of the characteristics of global culture is connected to the subordination of the market’s instruments, being placed in the context of the relationship which establishes between goods and buyers. Also, within this part of the study it is raised the problem of the relationship between people and the space which presents a series of differentiations compared to the periods from the past, especially due to the apparition of some new spaces (the Internet makes possible that most of the locations wanted are handy). From the cultural point of view, globalisation supposes a large mobility of the people which may concentrate in important migratory flows, usually release basins (emergent countries) and receiving basins (developed countries) being contoured. They are usually accomplished with the purpose of finding a better paid job.

The last part of the book is dedicated to the relationships which establish between the social-economic aspects and the territories governance. Within this section of the study there are discussed the models of territorial innovation or the applying of some projects of development included in the category of instruments of implementing the territories’ governance.

The space and the socio-economic development represent the present themes of scientific researches which are also found at the level of articles published in this magazine and they are meant to illustrate, by their large number, the interest for a balanced development. The complexity of the relationship between space and economy needs a re-thinking of the entire economic-social system which could ensure, by innovative marketing models, viable solutions which may contribute both to the territories’

development, but also to the conservation of their identity.

Depending on these innovative models, territories differentiate and become attractive from different points of view: economic, cultural, social, touristic, ecological etc. This aspect also generates a competition between territories which could be gained by a coherent governance of the territories and appealing to the principles of sustainable development. The authors of this book succeed in catching different aspects of the complex process of

regional development under its multiple sides from the perspective of some different states from geographic and cultural point of views.

As it can be noticed, both countries established identical objectives: a balanced development of territories, which, under the influence of the factors of economic pressure (globalisation), social pressure (life quality) or by the exposure to a series of natural risks, could project a lineal ascendant trajectory.

**Large Urban Habitats in Bucharest.** Alexandru Gavriş. Bucharest: University Press, 2011, 205 pp, ISBN 978-606-591-177-2 (in Romanian)

**Reviewed by** Alexandru-Ionuț PETRIȘOR, National Institute for Research and Development in Constructions, Urbanism and Sustainable Spatial Development URBAN-INCERC, Bucharest, Romania

Specialised literature imposed since the years 1979, by the Gaia theory, elaborated by James Lovelock (1979), an approach according to which the planet we live on is a huge body, and our immediate life environment is a part of this body. Although many people admit that urban settlements are ecological systems, approaches still differ, depending on the spatial scale. These differences determine different methodologies of investigating the problems connected to human habitat.

The work of Alexandru Gavriş may be placed in the context of the methodologies of human habitats' analysis. This option is for an ecological type approach, in the sense of the approach by a systemic perspective (in the sense in which phenomena emphasized at the level of the subsystem represented by large habitats are correlated to the situation which is characteristic for Bucharest's integrating system), of the analogies with ecological systems and in an inter-and trans-disciplinary context, but also by the ways of research, in particular the analysis and interpretation of the results of the questionnaires by the reference to urban

population of different regions and the assembly.

In the first part, the author looks over the theoretical fundamentals and the analytical works, the last being applied in an ample case study of Romania's capital – an interesting case by its placing in a historical context, which it completes by updating. The analysis is very objective and scientifically underlain, starting from explaining some largely used concepts, but perhaps not very well known: habitation, settlements assembly, district or habitat. It is analysed at several spatial scales, in a historical context and crossing Bucharest's borders in a European and even international context, the evolution of habitation, related to theoretical models described by specialised literature.

The individualization of Bucharest's large urban habitats is based on a multi-criteria analysis, which takes into account architectural-urbanistic and sociological models. The emphasized habitats are analysed depending on their homogeneity, internal structuring on the basis of economic activities, dynamics and finally their integration

within the macro-structure of the Capital. In this context, a special attention is given to the flows of population, capital, raw materials and products, transportation and information, but also to the elements of urban image, defined by the contouring of the image of the entire city, its reflecting in large habitats and its impact upon the Capital's structuring.

The study continues with the identifying of the existent dis-functionalities, revealed by a SWOT analysis of large urban habitats and the identifying of the possibilities for their adjustment. This demarche is part of the recent historical context, marked by the dis-industrialisation period and the impacts of this process, by the effects of the policies of urban development and of large habitats' restructuring, their effects upon the revitalisation of large habitats being introduced by the dilemma "challenge or failure".

Which are the lessons learnt from Mr Gavriş' work? Theoretically, the analyses done prove that an eco-systemic approach, in which towns are optimal-open systems which are far away from being balanced, is not a challenge, but it can be achieved, and in this respect the author contours a research methodology. In Bucharest's case, such a study raises important problems, generated by the existence of some incomplete, fragmented data, whose systemic analysis raises correlation problems. Also, the undertaken research proved the importance of some analyses concentrated on the human component and on the effects of the activity unfolded by humans. In the context of a systemic analysis, these results prove, once more, the fact that the dynamic of ecological systems strongly anthropised is determined by socio-economic and political activities.

From a pragmatic perspective, the results indicate the role of homogeneity in emphasizing the processes of segregation and isolation at the town's level, underlining the necessity of some interventions. There must be underlined these conclusions' importance, in the context in which a new administrative organisation of the Capital is intensely

debated, and in this respect the author proposes a solution – treating large habitats as districts or even as sectors, having in view their homogeneity, the dis-functionalities identified and their role of buffer between the centre and new areas integrated within the urban environment. The proposed solution resembles the solution resulted following a geographical approach of the historical evolution of the Capital (Suditu, 2011). In the same context, the author underlines the importance of collaboration both at the level of institutions and especially at the level of inhabitants, getting beyond the borders generated by political interests, vanities and interests.

One of the limitations of research is due to – as in the case of many other towns – different territorial partitions, which lead to discrepancies between administrative divisions, censuses divisions and the divisions which have an image identity. From this reason, the work is not a final point, but a starting point. As the author shows, although discussed in a European context, the analysis is not also finished at this scale. The concept of polycentrism opens the way towards such approaches, admitting the different importance, depending on the spatial scale of approaching different urban centres. An analysis at a more intimate scale is possible, too, based on the internal structuring of large residential assemblies.

The author also underlines the directions of research for the future analyses, regarding the extension of spatial scales for the identification of the optimal one, of the indicators used with the purpose of selecting a representative set and the identification of densification processes, but also practical aspects, related to the cooperation of the actors implied and to the urban image of Bucharest.

By its inter- and trans-disciplinary character, but also by the theoretical and practical value of the results, Mr Gavriş' work addresses a very large palette of specialists, from those from the field of education and research to practitioners and specialists from public

administration, having a diverse specialised preparation (for example, Urbanism, Geography, Sociology, Ecology, Economy) which may be the basis for other studies unfolded according to the recommended directions, but also for a development strategy or a Capital's law.

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**Territorial Insertion of the Universities from Romania.** Ioan Ianoş (coord.). Bucharest: University Publishing House, 2010, 342 pp., ISBN 978-973-749-973-8 (in Romanian, summary in English 13 p.)

**Reviewed by** Igor Sîrodoev, The Academy of Sciences of Moldavia, Chişinău, The Republic of Moldavia

The work coordinated by Ioan Ianoş is one of the works which approach a classical problem, but from a less orthodox angle. Although the problem of higher education was debated in a multitude of works, approaching a variety of aspects and features at different levels (world, continental, regional, national, local) the relationship of universities with the environment where they were localised has been and remains a rarely discussed theme. The present work seems to have succeeded in its attempt to cover this blank space.

Moreover, the book is not an analytical-descriptive work. By its message, structure and content, the study promotes an active position which universities should adopt in regard to realities from their insertion environment. As the coordinator mentions in the preface, "the main message of this study is to imply more the universities in the process of attenuating territorial unbalances, as regards development and participation in solving some acute problems of urban agglomerations".

A strong point of the book is represented by its own coordinator, who knows the Romanian higher education system from the two points of

view partially opposed, that of a professor and that of a servant of central public authorities of resort. The book crowns a three-year time research work of an interdisciplinary team. Despite the fact that on the first page there are twenty authors, the work is not an amalgam of essays weakly connected between them, but it has a well defined logical structure, subordinated to an elaborated and explicitly formulated idea. The authors, who are aware of the multitude of aspects of the territorial implication of universities, deliberately limit themselves to "underlining some pertinent elements in the field of urban restructuring and regional development", emphasizing, at the same time, the role of university in the "knowledge production".

The work starts with the introduction in the theme, by the brief presentation of the Romanian higher education system and the theory of interactions between the university and the insertion environment. A chapter dedicated to the characterisation of the essential features of national economy after the collapse of the totalitarian regime from 1989 follows, with an accent on the territorial effects of the restructurings from this period.

The following chapter synthesises the general characteristics of the environment in which universities are inserted, urban restructuring and intra-regional disparities being seen as main challenges for these territorial actors.

The urban-regional issue to which universities should answer is presented by the introduction to the concept of “needs” at the respective level (chapter 4). In case of regional needs, it is also presented a detailed analysis of these needs per the eight development regions, with the spatial individualising of the main categories. The presentation of the university offer is done at national level per the fifteen fundamental fields, taking also into account the forms of property of the universities (the first part of chapter 5), and the second part of the respective chapter is dedicated to its regional aspect.

The analysis of the university offer, reaching the problems of concentration and diffusion of the respective services, is based on territorial inter-relations at national, regional level, as well as at the level of the recruitment basins in case of some universities taken as case studies. This is continued with two short chapters approaching regional differentiations in infrastructure and scientific research in universities.

The last chapter constitutes an attempt (successful, as a matter of fact) to build something new from what has been presented and detailed in the previous chapters. Therefore, it is synthesised and conceptualised the role of universities in solving the problems at urban and regional level specified in chapter 4; also, a typology of these institutions of higher education is done, by the level of involvement in the processes of urban restructuring and regional development.

Despite all its positive parts and its incontestable strong points, we cannot avoid mentioning some deficiencies. Thus, the book leaves the impression of a work done in conditions of deadlines’ pressure: here and there are repetitions and deficiencies in the construction of phrase which could have been

easily avoided/ eliminated, at a closer look. Perhaps this pressure also explains why the concept of “needs”, a main concept for this study, even if suggestive, is summarily presented, the authors passing rapidly to the territorial differentiations of the needs. In our opinion, a sub-chapter based on the methodology of emphasizing the needs characteristic to each type of space would have been welcomed.

It is salutary the proper and safe use of the graphic material, which is not to be surprising, as most of the authors team is made of geographers. Nevertheless, we would have expected a more strict accuracy from the part of geographers in conceiving, drafting and presenting this illustrative material, especially maps.

In the end, as a conclusion following the book’s reading and from my general experience, I allow myself to contradict the coordinator of the book. In the preface, Professor Ianoş also proposes the idea of a university “as an emergency service”, partly compromising the spirit of another idea promoted by this book, according to which university is “a factory of producing knowledge”. I wonder if knowledge generated by university is not able to anticipate and forecast crisis situations. Is this “intelligence reservoir” only good for answering the calls, when it is asked to do so? The answer to this question seems to be positive, in my opinion. Consequently, I consider it is more important to emphasize the idea according to which universities must be prepared to answer without being asked, to provide solutions to problems which might appear in the region. As a matter of fact, the book itself is in accordance with this idea.

By concluding, I underline that the work “*Territorial insertion of the universities from Romania*” aims to stimulate the cooperation between the decision factors at regional and local level and universities. With its strong and weak points, the study elaborated at macro-scale level and based on the relationship town – university – region has as a purpose to stimulate the interest “for detailed

researches at inferior levels”.

Thus, taking into consideration the quality of the work, I recommend it both to scientific community, as an excellent reference book in guiding the efforts to discover, analyse and

contribute to the optimising of the way of insertion of universities in particular/ private regional and urban spaces, and to local and regional decision factors in order to facilitate the foundation of development policies of the communities it covers.

### **Post-socialist Transition and Urban Vulnerability in Bucharest.**

Samuel Rufat, Bucharest: University Publishing House, 2011, 326 pp, ISBN 978-973-737-932-0 (in French, summary in Romanian).

**Reviewed by** Gabriel Pascariu, “Ion Mincu” University of Architecture and Urbanism, Bucharest, Romania

The work is the result of an ample theoretical and applicative research undertaken on a period of 4 years, between 2005 and 2008, followed by a period of processing the information and the material collected. The scope of the theoretical research was the knowledge and profound study of the concepts and methods of investigation and evaluation regarding risks and vulnerabilities. Applicative research in case of Bucharest supposed a double approach: one of documentary research, regarding Bucharest’s history and evolution, and another concrete approach, of direct knowledge of reality in the field of the institutions, decision-makers, specialists involved in the process of urban development, and last but not least even of the town’s inhabitants, by means of a sociological inquiry. This is a difficult subject, due to the relative novelty of the problem and also to the fact that for the chosen case the obtaining of relevant data and information proved to be an extremely complicated action in the conditions of a lack of a consistent and accessible urban database.

The work edited in French, with a summary in Romanian, is organised in 5 parts, one of them being dedicated to the urbanistic evolution of Bucharest and other 4 parts dedicated to the issue of vulnerability, which constitutes the main theme of the book, which also comprises a series of annexes, as well as a vast bibliography. In over 300 pages it is to be noticed the impressive number of schemas, maps, tables, photographs and reproductions

of documentary materials. Besides, the rich graphic – more than 100 maps, cartograms and photographic images – is one of the characteristics which increases the attractiveness of this book, emphasizing an essential aspect followed by the author: “... territory is the main explanatory factor in representing risks” (p.284).

The bibliography includes more than 400 titles and it is structured on 6 categories with 27 subcategories. It is to be particularly noticed the selection of works with reference to transition, sorted by 4 criteria – the escape from socialism and the “transition”, Romania in “transition”, capitals and metropolises in “transition” and Bucharest in the “transition” period – as well as those regarding risk representation, sorted by 6 criteria: general and synthesis works, the representation of risk in Geography, Psychology, Anthropology and cultural studies, in Sociology and finally the representation of risk in France and in Europe. The author’s wide documentation about all the aspects approached is also reflected in the more than 900 footnotes, from among which many present extremely interesting comments and details, and they can be a parallel reading of another work. Last but not least, it must be underlined the careful and exact use of some research methods, specific for each analysed aspect or situation, either it is about historical, statistical, spatial, sociological or of another nature analysis. The methods used are explained as many times as needed, the rigorousness study being proved, among

others, by the listing of the 33 interviews unfolded in over 20 institutions and organisations, by indicating the date, duration and the way of registering.

The choosing of the theme and study place were determined, on the one hand, by the hypotheses formulated in the '70s by a group of American geographers coordinated by Gilbert White, according to which transition periods increase the vulnerability of societies to risks, and on the other hand by the notion of risk "container" given to large towns by the J.K. Mitchell's study published in 1999. The choosing of Bucharest as a proper place for verifying the hypotheses formulated by researchers with regard to the relationship of risk, vulnerability, transition and metropolis, is also justified by the fact the town is not only one of the biggest towns of Central and Eastern-European countries which broke through communism, but it is also a town which suffered as a result of natural catastrophes and brutal interventions from the period of Ceaușescu's regime. By this choice, the author also confesses the objective of the research, namely that of verifying, on a concrete and relevant basis, a series of theoretical hypotheses and methodological elements regarding urban vulnerability.

The first part of the paper represents an ingression in Bucharest's history, as a result of which the author places the present transition period into a long succession of crises and catastrophes, characterized, especially in the last 150-200 years, by a continuous starting and giving up to large urban projects. There were different causes, from natural or anthropic catastrophes to changes of political regime. Thus, there are mentioned fires, earthquakes, wars, political characters which influenced the town's history in the good or bad sense, the main moments when there were initiated certain projects of modernization or by the contrary of vulnerability of the urban structure, the analysis inclining with a higher attention upon the last communist decades as

well as upon post-communist phase. The analysis of recent period stops upon legislative, procedural and institutional aspects, too. The author's conclusion is the last 20 years affected the capital's vulnerability due to the weak capacity of administration to manage the town's development, uncontrolled expansion, the viability of peripheral areas and due to the fact that urbanization is captive to real estate and private initiative's manipulation. Despite the existence of some projects and plans of development promoted in different moments, the author notices certain incapacity of the authorities for assuming and promoting an urban project. Transition seems to be a permanent state for Bucharest, as it is permanently situated under the sign of a perpetual reconstruction. A city of an ephemeral urbanism as it was already seen decades ago by G.M.Cantacuzino<sup>1)</sup>.

The second part includes conceptual and methodological aspects regarding the notions of risk and vulnerability and the way of evaluating them. There are identified the main moments which generated the recent approaches from the last 3-4 decades, the significant evolutions and orientations, permanently maintaining a critical position towards these. The author focuses on the concept of vulnerability promoted in the '90s, on the relationship vulnerability-resilience, but especially on the way vulnerability can be "translated" by territoriality and on the influence of the dynamic of large cities and the metropolis-transforming processes could have.

The third part of the work analyses Bucharest's risks and vulnerabilities. The data of the censuses from 1992 and 2002 regarding population, settlements, socio-cultural equipments lead to the establishing of some socio-economic and functional vulnerability classes which are then correlated to the distribution of natural (hydrological, seismic, Seveso sites) and technological risks within intra-urban territory. In order to achieve a spatial transposing of statistical information,

1) Arch. Cantacuzino, G.M., (1944), *On Man and Town or Efemerial Urbanism*, in the magazine "Simetria".

the author built a Geographic Information System (GIS) for Bucharest, which would enable him the data processing and their graphic representation, at the level of the 150 census circumscriptions. By grouping different variables, the author experiences an original method of analysis and evaluation of urban vulnerability, based on creating profiles or "spectres" of the territorial units and which he names "vulnerability spectroscopy". The final selection of 15 variables out of the 35 variables identified leads to the identification of 5 classes of socio-economic or physical vulnerability compared to the exposure to seismic, hydrological risks, Seveso sites and which shows that over 25% of the town's territory and population are exposed to a high vulnerability. Although transition seems to have favoured a high exposure to natural and technological risks, it is underlined that an important part of the determinant factors belonged to previous stages.

The fourth part is dedicated to organisational vulnerability, with a careful approach of risk management, norms and practices in the field. It is analysed the relationship between the regulatory frame, apparently excessive and the way in which it is applied and used by the decision-makers and also by specialists. The description of the instruments of the urban development's planning occupies an important place, the superficial treatment of the problem of risks and vulnerabilities being underlined. The author subtly notices derogatory interpretations or actions at the limit of the law and he concludes that despite of the excess of normative papers, in reality it can be spoken about a de-regulation in managing urban development and risk, in general. The chapter is mainly the result of some meetings between 2004 and 2007, of the field research and last but not least of a careful monitoring of the written media. The analysis of the discourse and of the practice of urban actors emphasizes, in the author's opinion, a strictly reactive attitude compared to the management of risk in the sense of reparatory actions in

case of a catastrophe. Preventive action and the relationship with the processes of spatial planning are lacking, and risks and vulnerabilities do not seem to be acknowledged (p.198).

The last part of the work, which is the most developed, is consecrated to the perception which inhabitants have regarding the notion of risk. The research of the perception is suggested mainly by the works of the same Gilbert White and it represents the occasion for the author to make an ingression in the area of social sciences and cultural paradigms. An ample questionnaire with closed and open questions was the basis for an inquiry on a representative social and territorial sample, realised in September 2007 on a number of over 600 persons. The results of the survey are optimally used by the applying of some advanced methods of processing, as the analysis of the multiple correspondences and the tests of independence. The author could finally underline a general attitude of risk awareness, marked by the tendencies of risk negation or minimising. Bucharest inhabitant's profile results, namely a "captive" one, who knows the risk, but diminishes its possible effects, as a measure of self-defence and resistance in compensation to the lack of concrete preventive actions of the authorities. Open questions also offered new perspectives upon risks, the population perceiving elements as pollution, circulation or criminality as important risk factors. Risks of traffic and pollution are mentioned by Vintilă Mihăilescu, since 1978 in his study on Bucharest published in 2003 only.<sup>2)</sup> Seismicity remains the biggest problem of the town's inhabitant, whereas technological/ industrial risks are considered minor on the background of deindustrialization.

The work hypotheses are mainly confirmed: Bucharest, a metropolis in transition is a "container" of risks, and its vulnerability (in the sense of fragility in comparison with catastrophic events) is increasing in the last

2) Mihăilescu, V. (2003), *The Geographical Evolution of a City - Bucharest*, Ed. Paideia, București. (in Romanian)

two decades, despite the creation of a new regulatory and institutional frame. A series of practices, attitudes and mentalities rooted in the collective mind, as well as some situations inherited from the past regime seem to represent a handicap which is hard to surmount, even in the conditions in which European directives in the domain are adopted and new instruments of risk management are created.

The qualities of the work are clearly related to the novelty of the subject and to the profound control of some diverse and sophisticated methods of analysis in multiple fields. The way the author approaches the town, not only in its physical and historical components, but also in its existential aspects, life style, relationships, shows a special sensitiveness for the built environment and for the integrated, multi-disciplinary approach of its issues. Urban risks and vulnerabilities can be fully understood and approached only as the territory and its inhabitants' characteristics are known and interpreted objectively, this is one of the important messages of the work. From the methodological point of view, this

represents a summing of the previous preoccupations and experiments done by the author on other cases as Lyon and Mexico City. The work is significant by the importance given to spatial representations, urban vulnerability territorialisation, as well as by the connections with the instruments of spatial planning. This last aspect is relevant for the present context of urban development from Romania, characterised by a certain inconsistency and by weaknesses of these instruments. It is also to be noticed the author's contribution to the amendment of legislation in the field by including some provisions related to risks. Finally, for Bucharest, the work opens the road to some integrated researches regarding risks and vulnerabilities, the approaches up to now being few and sectoral and mainly related to the aspects of social and socio-economic nature. A serious subject that should also attract the attention of specialists and decision factors, but also of the towns' inhabitants asking for concrete actions and pro-active attitudes, without which Bucharest risks to remain a "capital of a tragic place, where everything often ends comically"<sup>3)</sup>.

**Innovation and Regional Transformation. From Clusters to New Combinations.** Martin Henning, Jerker Moodysson, Magnus Nilsson, Translation from Swedish by Amesto Translations AB, Malmö: Elanders Press, 2010, 214 pp., ISBN 978-91-633-6185-2 (in English).

**Reviewed by** PhD. Radu-Daniel Pintilii, University of Bucharest, Bucharest, Romania

In the last period it can be noticed an increase of the importance given to research and especially innovation, one of its main components. Innovation may ensure a long term economic growth, and projects based on innovation are useful both for the researchers from different fields, as well as especially for local authorities, confronted with the challenge to elaborate long term decisions, by means of the best ideas and in a relatively short time.

The work "*Innovation and Regional Transformation. From Clusters to New Combinations*" comes to support the ideas previously elaborated, being a critical material upon the elaboration of public policies, coming to support the creation and development of regional clusters based on innovation. The work is based on the importance of elaborating development policies, which exploit the advantages of regional specialisations. The most relevant examples have as a subject the

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3) Morand, P. (1935), *Bucarest*, Paris, Plon.

Region Skåne, situated in the southern part of Sweden, where an analysis at regional level of industry and of the conditions of elaborating regional policies is done.

In the first chapter there are presented introductory notions related to clusters and their specific terminology, as innovation systems and economic transformations, with application for Skåne region.

The initial subject of the book and the parts which treat in detail the clusters' issue start in the second chapter. This chapter starts with an introduction upon the clusters' theory and treats problems related to economic transformations, innovation and regional development. The third chapter details certain aspects related to clusters and profile sectors from the Region Skåne.

In the fourth chapter (Transformations and growth: economy in the industrial space) there are presented certain aspects related to Skåne's regional economy and it introduces a new analysis method which measures the way in which different types of industry are interconnected as regards knowledge and knowledge transfer, entitled Revealed Skill Relatedness, a method which the authors mention to be developed and largely described by Neffke and Swensson Henning in the year 2009.

The fifth chapter is theoretical and it introduces aspects related to the last methods of analysis

in the initiatives of regional policies upon innovation and transformations.

In the penultimate chapter, 5 economic sectors implemented in the Region Skåne are presented, being often named „cluster initiatives”, too. These were implemented either in the food sector, or in life science sectors, ICT, moving media and clean-tech. First, a brief description of each sector and of the number of central actors involved was done. The method introduced in the fourth chapter comes to illustrate the cross-sectoral knowledge networks of each sector. Then, the analytical frame from chapter 5 is also used. This is used in order to analyse the initiative of sectoral development. By combining the analysis of problems, activities and functions of the initiatives with the analysis of sectoral knowledge, in terms of functional limitation, it is shown how sectoral analyses of these initiatives are well reached.

The seventh chapter reviews and concludes the previously presented aspects, tracing certain recommendations for the future activities connected to the policies of regional innovation. This chapter also includes a summary of the entire book, starting with theoretical aspects and ending with the conclusions.

An aspect of a real interest, as the authors also state, this work offers a consistent bibliographical list, useful for those who wish to complement their specialised literature.



## Aims and scopes

Analysis of the urban and regional condition needs to be interdisciplinary. In reality, urban researchers usually tend to belong to a discipline reflecting their training whether as sociologists, geographers, planners or any number of subjects concerned with the study of space and place. Our training very often endorses an appreciation of how other disciplines explore the city. For the journal the acknowledgement of the many disciplines that concerned with understanding cities and regions will be indicated by the different disciplinary backgrounds reflected in the papers published. Articles will be published by geographers, sociologists, planners, economists, political scientists, to mention just few of the disciplines involved in urban and regional study.

The Journal of Urban and Regional Analysis plans to be a key outlet publishing topical articles dealing with cities and regions. In later issues we plan to include sections devoted to notes and comments as well as a policy section outlining and discussing state and non-state initiatives aimed at improving cities and regions, together with the problems confronted by their implementation.

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2. Submitted manuscripts must be original, unpublished contributions. They must not be submitted or accepted by any other publications. All articles submitted to the Journal will be available online, free of charge.

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MARSHAL, R. (1995), *The global job crisis*, Foreign Policy, No.100: 50-68.

\*\*\* (1938-1941), *General Romanian Population and Settlements Census on December the 29th 1930*, I-X, ICS, Bucharest.

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