



UNIVERSITY OF
EASTERN FINLAND

Drivers of a thriving and resilient rural economy

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Policy Lab: Strengthening a diversified rural economy in the post-2027 period

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What is needed?

Mankiw-Romer-Weil (MRW)

$$Y = K^{\alpha} H^{\beta} (AL)^{1-\alpha-\beta}$$

Y = Output (= economic growth is an increase in the volume or value of goods and services produced by the economy)

K = Physical capital (investments)

H = Human capital (skills, expertise, know-how)

A = Total factor productivity (technological progress, i.e., innovations)

L = Labour

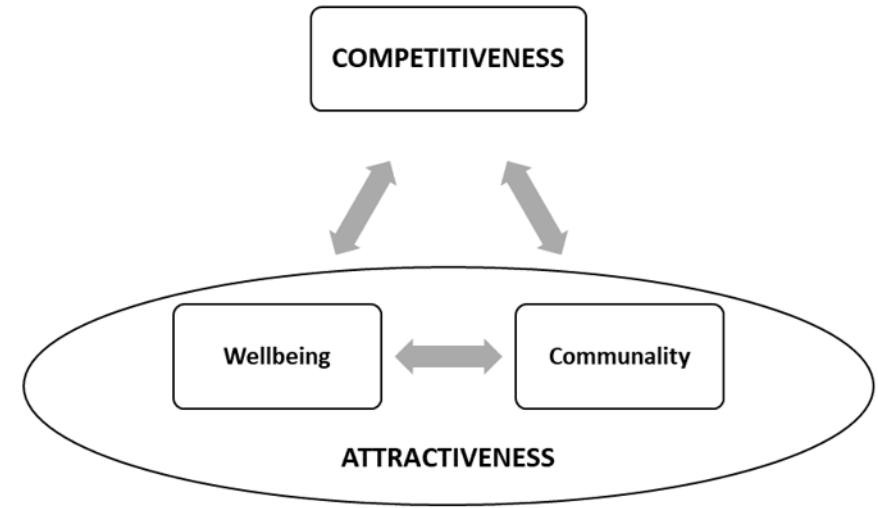
$\alpha, \beta > 0 ; \alpha + \beta < 1$ = Output elasticity

- Diminishing returns to scale: in the long run, merely increasing physical capital, human capital and labour does not lead to growth – innovation is required



How?

- There is no silver bullet
 - Systemic approach
 - Collaborative networks of public and private actors
 - Cooperation between policy sectors
 - Broad rural policy and rural proofing
 - Civil society/Communality
 - The role of active citizens in maintaining rural vitality
 - Place-based approach
 - Policies need to be tailored to fit individual regions





What is rural?

A continuum, not a dichotomy

NUTS-2



NUTS-3



Urban-rural classification

- Cities
- Rural areas close to cities
- Rural heartland areas
- Sparsely populated rural areas

Kartta: SYKE
Kuntarajat: Maanmittauslaitos, Tilastokeskus

0 50 100 200 Kilometriä

Urban-rural classification

- Inner urban area
- Outer urban area
- Peri-urban area
- Local centre in a rural area
- Rural area close to urban area
- Rural heartland area
- Sparsely populated rural area

© SYKE

0 25 50 100 150 Km

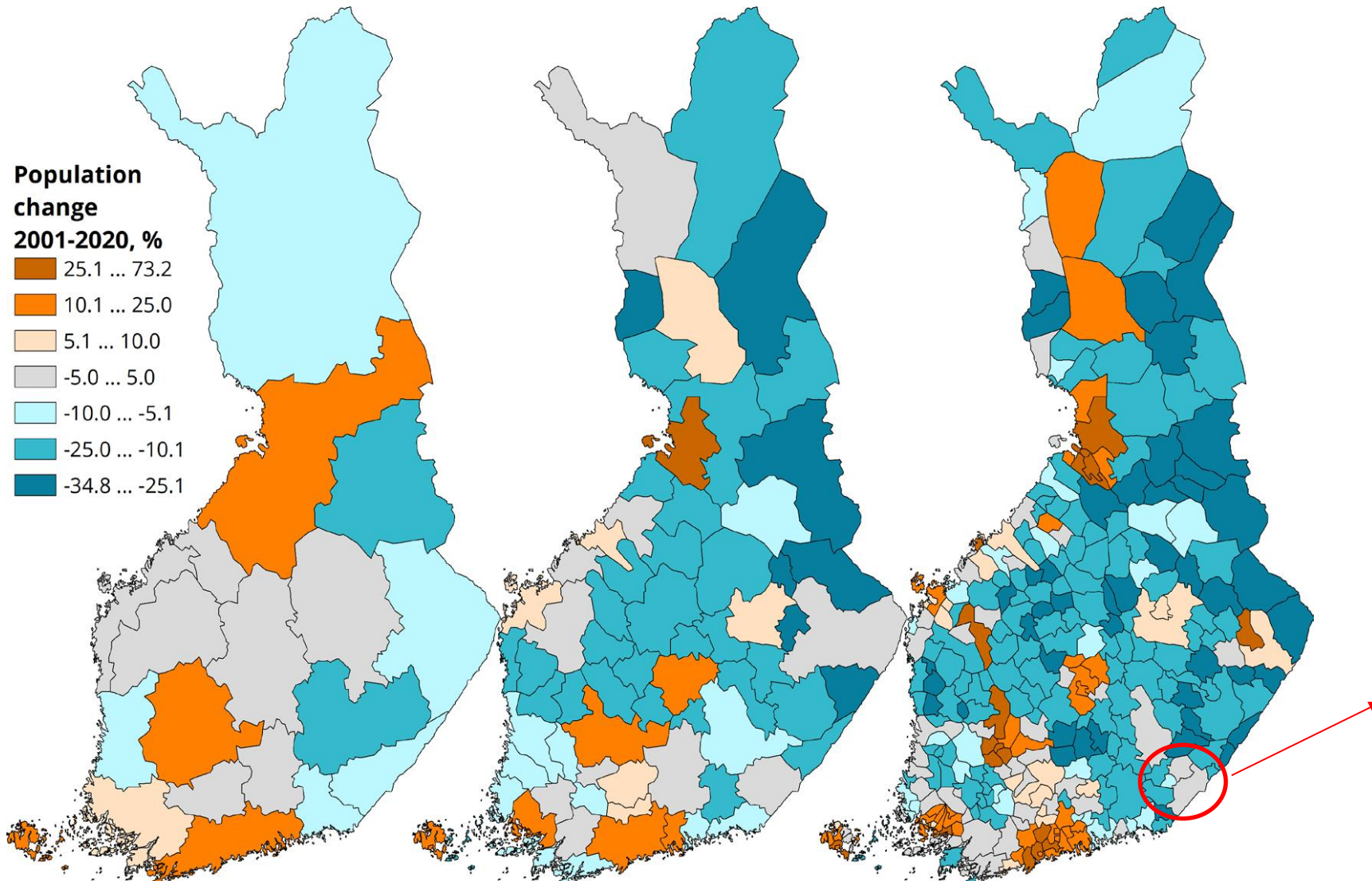


Place-based is not the same as NUTS-3

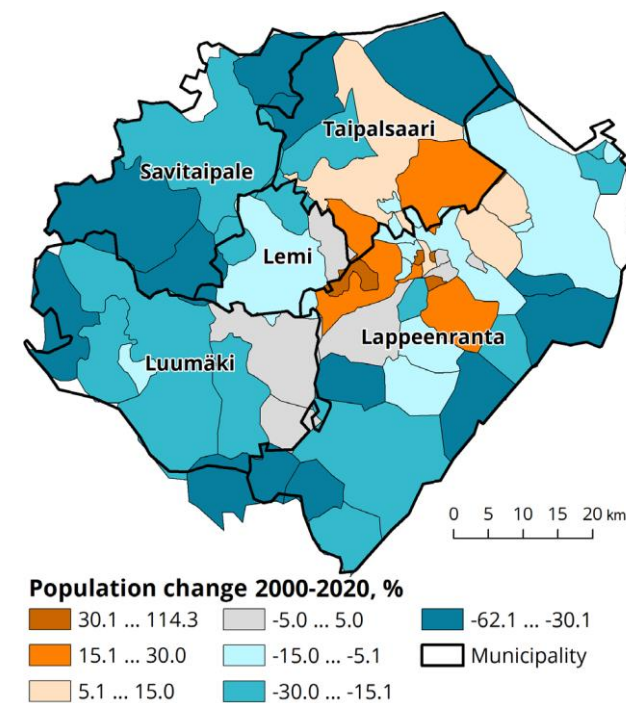
NUTS-3

LAU-1

LAU-2 (municipalities)

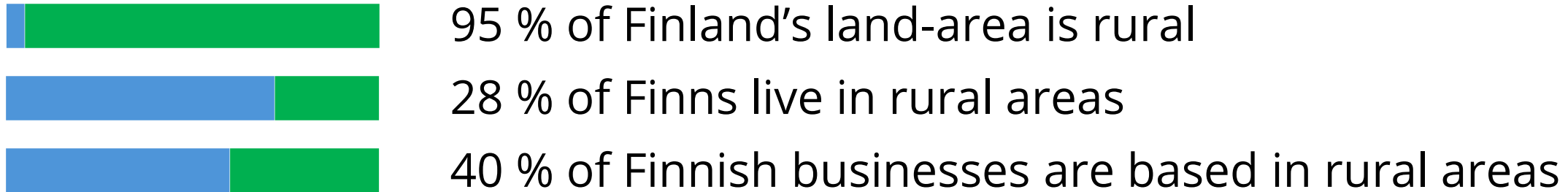


Postal code areas





Place-based vs place-neutral



Rural municipalities' share of place neutral financial flows (in €):

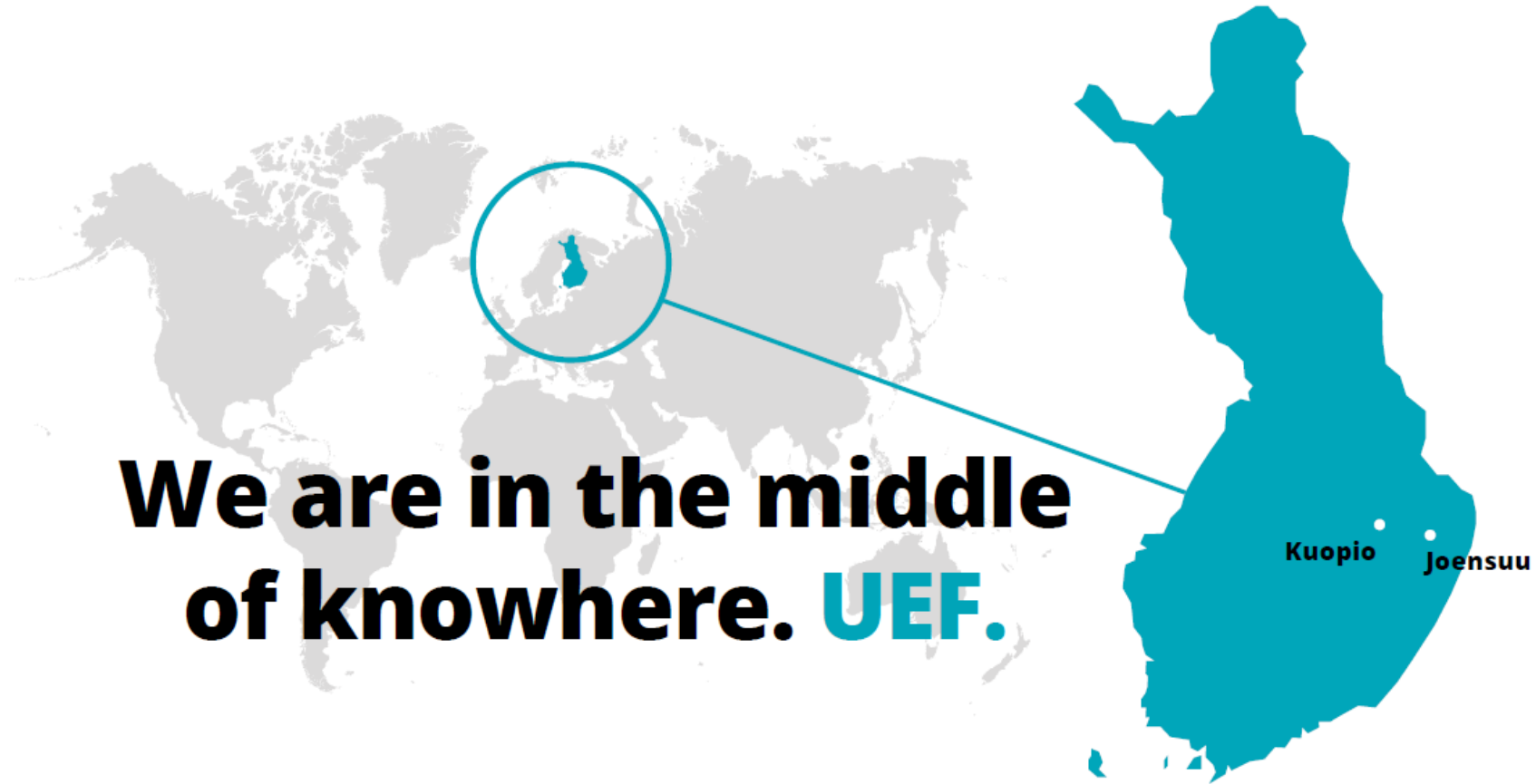




Some concluding remarks

- Context matters
 - Copying from urban areas rarely ever works
- Place matters
 - Rural policy without local know-how embedded in rural areas is destined to fail; it cannot be dictated from the EU/national/regional cores
- Scale matters
 - Spillovers from growth centers are important, but they reach only so far
- Equity matters
 - Agglomeration is a powerful economic force; it happens “naturally”, it does not need financial support from the public sector

Thank you!



**We are in the middle
of nowhere. UEF.**

Figure and data sources

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