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Chapter 6


Lars WESTIN

6.1 INTRODUCTION

During the last century, Norrland, the region consisting of the five counties in the north of Sweden, developed from the position as one of the fastest growing regions in Sweden into overall stagnation. The growth period was based on a successful export of natural resources with a labour demanding technology. The introduction, around 1955, of new labour saving technologies in all sorts of natural resource based industries together with new infrastructure and vehicles such as cars, tractors, and trucks forced the region to change its industrial structure and move into an economy based on a larger share of engineering and service industries, in order to keep its employment and population base.

But ten years of regional policy, between the years 1960 and 1970, aimed at creating new competitiveness in the region, caught the region in a grant dependent discourse with the ambition to use public funds to conserve the settlement structure developed in the fifties.

This localisation structure was advantageous for labour intensive natural resource extraction in a region with an underdeveloped infrastructure. Instead, the new industry and settlement structure that developed after the fifties more were based on accessibility to other people and to natural amenities. From a localisation perspective, this meant that larger cities and areas in the mountains and at the seaside became more attractive for housing and employment.

Simultaneously, the image of the region as seen from outside and the rhetoric characterising the internal development discourse was "adjusted." As always it is not possible to talk about a single image, nor a single message, rather a shift in the dominant discourse followed by the region. In the old rhetoric, developed already in the middle of the nineteenth century, Norrland was regarded as the "land of future" a growth region, where the growth was based on a richness of natural resources. This picture was common for both the external and internal views and a strong force motivating the Swedish state to encourage colonisation of the region.

However, one may early also observe another force within the region itself. A force characterised by an ambition to increase regional diversity, by introduction of a broader scope of public services, industries, infrastructure, schools, and higher education. This demand for development in the periphery was not always met positively in the centre. It gave rise to "Norrlandsfrågan" (Olsson and Wiberg, 2003), i.e. the question of how Northern Sweden could be developed into a more diversified economy from being a source
for export of natural resources only. Regularly, this question was raised by parliamentarians from the north in the national parliament. _Here we may see the origin of the debate over to what extent public resources and incomes from the resource oriented industry in the north also should be transferred back to and reinvested in Northern Sweden._

When the drastic changes started around 1955 the new prerequisites resulted in excess of labour supply. Since the urban structure in Norrland was dominated by small cities and a lack of diversity, it could not capture the labour released from the smaller villages, and an extensive migration towards larger agglomerations outside the region started. This migration out from Norrland, as well as from other areas in the south with similar resource based industries produced a strong pressure on the larger cities and especially on Stockholm. Altogether it formed a national consensus for development of a regional policy based on investment support and grants in order to slow down the inflow of people to Stockholm.

In the nineties, the attracting forces from the large agglomerations once again became strong relative the weak cities in the north and a new phase of out-migration started. This placed the light on two facts. First of all, the regional policy with public grants to the north had continued after 1970, although population decrease not was a general problem for the region. But even with those grants, Norrland had not managed to establish a strong and sustainable settlement structure. Instead, the development rhetoric in many parts of the region now had been dominated by even stronger claims for public grants, often as it was argued "in return for the export of natural resources from the region." Hence, the regional rhetoric had moved back to the traditional natural resource based image we may find around 1850.

While analysing the overall development of Norrland in such a long term perspective, we are in this chapter arguing that the region, at all levels from local to leading representatives, during the last fifty years strongly has been influenced by a culture that foster a grant based self image and a development strategy which have been problematic for the long run sustainability of the region. This culture has its roots in the positive development ambitions found in the forces behind "the Norrland question" but without a vision of what a future diversified region based on knowledge-based growth, where natural resources not is the main source of employment, would look like.

This grant-based development strategy is although competing with a much more "investment for growth and knowledge"-oriented discourse. But since this discourse also is strongly influenced by the grant economy developed within the regional policy paradigm, it has not always managed to create an independent relation via public grants and regional policies. Our task here is to contribute to the analyses of how those two discourses have developed from the "the Norrland question" in response to the overall development in the region.

In Section 6.2 we give a broad picture of the development in the region, while we in Section 6.3 discusses the complex path the region followed when the grant dependent culture became dominant and took command at different levels in the region as well as in "the centre." Finally, in Section 6.4 we draw our conclusions and suggest further studies.
6.2 NORTHERN SWEDEN: FROM FAST GROWTH TO OVERALL “STAGNATION”

The population growth in Norrland the last 100-150 years is significant and places the region among the strongest growth regions in Sweden during this period. In the period, the per cent growth figure for the two counties Västerbotten and Norrbotten in the north was in line with the growth of the three largest cities in Sweden.

In Figure 6.1, one may observe how the colonization of Norrland started from the south. One may also observe how the three southern counties met their maximum population around 1955, while instead especially Västerbotten has continued to grow until the years around 1990. The county Västernorrland instead has witnessed a steady negative development in terms of number of inhabitants. Actually, the weak overall development in Norrland to a large extent has been determined by the negative development in Västernorrland. This is not always obvious in the common debate, where instead it is the weak development in many small towns and villages in the forest-rich central inland that has become the symbol for the development in Norrland.

![Graph showing population development in five counties in northern Sweden.](image)

**Figure 6.1:** Population development in five counties in northern Sweden. Number of inhabitants from 1805 to 2003.

Source: Statistics Sweden.

The reasons behind this overall stagnation are nowadays very well understood and have been touched upon previously in this chapter. It was the result of a very rapid introduction of labor saving technologies and of new means of communications into the region. As seen in Figure 6.2, the modern chainsaw, as we to today consider it, was introduced in the
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forest sector the years before 1955. At the same time, the modern tractor was spread in the agricultural sector. As a consequence, the demand for labor in natural resource based industries decreased drastically.

![Graph showing the number of sold modern chain saws in Sweden from 1948 to 1964.](image)

**Figure 6.2:** The number of sold modern chain saws in Sweden the years 1948-1964.

Source: Hjelm (1981) and Helgesson et. al. (1979)

Since it took another ten years until the number of children per family declined from the high levels characterizing the labor intensive economy during the first half of the century while on the other hand the engineering industry, the number of places at secondary and higher education, the service markets, and the public sector generally were underdeveloped in the weak cities of the region; net-migration to central and southern Sweden became inescapable.

In this respect those who had argued for the need to diversify the region, i.e. those who stood behind “the Norrland question” could point on the vulnerability given by the monoculture in the region and also could strengthen their positions. This type of economic development into a dual economy with improved productivity and reduced demand for labor in the extensive sector, followed by migration into the largest cities, is typical for many natural recourse based economies that not have been able to develop their middle-sized cities.

The strong force towards larger cities eventually also set a press on the demand for housing and new infrastructure in those. The case for a regional policy with the aim of reducing the speed of change hence also became strong in the center and accepted at most levels in society.

Interestingly enough, the period of rapid out-migration from Norrland only lasted until the end of the sixties. Together with investments in higher education, airports, roads, and public services in medium sized cities in Norrland and perhaps most important; a change in preferences from larger cities over to living in the country side and in suburbs, that could be witnessed in the beginning of the seventies not only in Sweden but also in other countries in Europe, out-migration from Norrland stopped and instead became directed towards the rural areas around the major cities in the counties. Especially new university
towns, such as Umeå in Norrland, managed in this new situation to manifest themselves as growth centers.

Space is too limited here to discuss at what extent the regional policy really had an important impact on migration and to what extent other disagglomerative forces instead started to act, but after 1970 the pressure on the larger agglomerations diminished and was even a short while reversed (cf. Bengtsson and Johansson, 1993.) The population in Northern Sweden started to grow again and a period of relative overall stability combined with a continued urbanisation was initiated. The urbanisation of cause resulted in some empty houses in the most remote areas. A fact, that became a small but visual signal of new locational advantages for housing in Norrland.

As a consequence, and with the only exception for some years in the first half of the eighties, Northern Sweden managed to grow with a speed comparable with the rest of Sweden outside the three major urban regions. Table 6.1 shows how Norrland during twenty five years, the period 1970-1995, increased its population, although growth still were stronger in the Stockholm, Malmö, and Gothenburg areas.

However, in the beginning of the nineties it once again became clear that positive population growth had concealed the fact that the region not had used the years 1970-1995 to establish such a robust settlement structure that it could restrain the renewed and strong attractiveness of the larger cities that manifested itself in the second half of the nineties. Moreover, and as Table 6.1 also indicates, the region this time lost more people than during the problematic and “traumatic,” as Oscarsson (1988) suggested, period in the sixties.

Table 6.1: The growth of population among large regions in Sweden from 1960 to 2004. Number of inhabitants and percent growth.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholm, Uppsala, and Södermanland</td>
<td>277 612</td>
<td>221 985</td>
<td>163 603</td>
</tr>
<tr>
<td>Norrland</td>
<td>-39 482</td>
<td>21 218</td>
<td>-51 188</td>
</tr>
<tr>
<td>Gothenburg, Västra Götaland, and Halland</td>
<td>149 110</td>
<td>143 485</td>
<td>36 935</td>
</tr>
<tr>
<td>Rest of Sweden</td>
<td>94 723</td>
<td>37 906</td>
<td>-24 642</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden.

The table also adds to the explanation why it this time not developed a strong force inside the larger cities in favor of a new period of regional policy and transfers of resources to Norrland to reduce the inflow to Stockholm. In fact, the net population growth in Sweden, except for international migration, at this time was negligible. Hence, the pressure on housing was not as strong as in the sixties. Instead the reaction was the reverse. Stockholm had found itself to be in new competition with cities such as St. Petersburg and Berlin that had “come out” after around seventy years behind “the iron curtain,” at the same time as Malmö and Copenhagen were on their way to merge into a new large metropolitan area. At this time, Stockholm instead had the explicit ambition to grow and wanted as many as possible to move into the region. Stockholm thus had their
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own demand for resources for investments in infrastructure in the city instead of in the "northern periphery."

A similar picture from the last years of the previous century may be obtained if we instead analyses GRP for the counties in the north and compare it with the development in Sweden. Figure 6.3 below indicates how, at least until 1995, Northern Sweden managed to follow or exceed the average development of GDP in Sweden, while instead during the second half of the period one after one of the northern counties drops from the national growth path.

![Graph showing GRP for counties in Norrland and GDP in Sweden during 1993-2002.](image)

**Figure 6.3:** GRP for counties in Norrland and GDP in Sweden during 1993-2002.

Source: Statistics Sweden.

There are of course many explanations behind this development. But one major explanation may be found in the fact that the population development in Norrland now changed into a phase of contraction. This implied both that demand directed towards the home market and the potential labour supply decreased. Together with two other problematic facts for Northern Sweden, the increased number of unemployed and the increasing number of labour on sick-leave, the economy could not follow the Swedish development in general.

For most observers it was clear how Norrland in the middle of the nineties for the second time moved into a period of relative stagnation. Since 1970, different forms of regional polices had been active, but from the late seventies the impact had been less and less visible. Instead it was the growth of the public sector that was the important growth engine in the region. This was also completed by a selective support to industries facing especially difficult situations due to new and strong international competition from new growth countries, like mining, steel works, and small sawmills.

But here it is also important to observe the extent at witch the surrounding economic landscape was changing in the beginning of the nineties. Not only did new markets, cities and competitors make them self visible at the east side of the Baltic sea, it also became clear that Sweden not had the economic strength to continue with an expanding public service and a direct engagement with the ambitious welfare redistribution system as it previously had.
Among other things, the traditional regional policy thus came under discussion. There was one exception, the transport subsidy. The transport subsidy was introduced quite late in the sixties but in this case it was a common opinion both inside and outside Norrland that production located so “far away from the market” as in Norrland needed transport support. The transport subsidy has been a selective way to reduce company taxes especially to saw mills and some engineering companies but it is reasonable to assume that the transport subsidy also have added to the image of Northern Sweden as a remote part of the world.

Another change for Norrland was the Swedish membership in the European Union. In this case it meant an increased demand for rethinking of traditional policies, e.g. in agricultural and preparedness policies (Persson, 1993) but also a new possibility to obtain grants, now from the European structural funds. This was something the region easily could manage and that not seemed to be in conflict with the fact that the population in Norrland generally voted against Swedish engagement in the union.

In order to motivate structural fund support to the region many representatives now once again looked back at the old image and focused on the export of natural resources from the region. What is perhaps more surprising, especially in the light of the fact that the region previously had argued for a regional policy with the aim of bring about an improved diversification of the region, is that it also made a positive case of the fact that the resource oriented industry in Norrland has a relatively low share of imports in its production. Hence, the notion of net-export value was developed and used as a major argument for further grants and investments in the North.

![Diagram](image.png)

**Figure 6.4:** Productivity in terms of GRP per employee and number of employees in four counties in Norrland, Sweden.

Note: Each dot marks a year with the beginning in 1993 and ending in 2002. The straight line combines points in the plane giving a GRP of 55 billions SEK. (Current prices)

The net-export value argument was supported by an argument based on the high productivity in the natural resource based industry in terms of GRP per capita, at least in some parts of the region. In fact Västernorrland and Norrbotten both belong to the counties in Sweden with the highest overall productivity. High productivity in resource
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Based industries are although not always positive. Figure 6.4 shows the dynamics of the total productivity, i.e. GRP per employed and number of employees in the four larger counties in Norrland. If one takes the product of productivity and the related number of employees, one obtains the total GRP of each county at each year. Hence it is possible to combine points in the plane with similar GRP, as straight lines.

This is also done in the figure, where the straight line shows how the counties reached a GRP of 55 billions SEK at different years and with different combinations of productivity and number of employees. Especially for Västernorrland and Norrbotten it is clear that increased productivity, in current prices especially, was obtained in an economy where the number of employees was reduced or constant. Actually, it is easy to improve productivity with labour saving investments or by closing down of the least productive establishments. That is by a reduction of the number of employees. The alternative, to improve productivity while at the same time increasing employment may be harder.

The question is of cause why grants were given to a region with some of the most productive units in Sweden within its borders? The argument, that always comes back, is that especially municipalities in the mid inland of Norrland lost inhabitants and that the region thus was and would be even more densely populated. Moreover, with the membership in the union, it was argued, Sweden paid too much for its membership in EU, so it was only right to bring something back.

Of those, the low population density argument seems to have had strong relevance in EU as an argument for grants. Obviously, it was possible to make the case that the weakest parts of Sweden during the European integration process towards Eastern Europe could be under especially strong pressure, a fact that would motivate further grants to those areas. The question of cause is how those grants should be used in order to establish an as strong region as possible?

Figure 6.5: Population changes in the county of Västerbotten, Sweden the years 1925 - 2000.

Source: Statistics Sweden.
As seen in Figure 6.5, after 1955 also a drastic change may be observed in the location pattern inside the counties, in this case illustrated by the development in the county Västerbotten. Here the urban area around the city Umeå has been growing rapidly. This may especially be seen after the sixties when the university was located in the town. Umeå University thus often is considered to be the single most important investment in order to bring Norrland into a more diversified knowledge economy. As such it explains much of what were shown in Figures 6.1 and 6.4. Västerbotten has had a different development compared with the rest of the region. However, similar but not as strong processes towards urbanisation in the largest urban area may be observed also in the other counties in Norrland. But also with the university, Västerbotten had severe difficulties to withstand the strong urbanisation process and new competition from east Europe in the second half of the nineties.

In the figure we may thus also see the origin of a new more growth and knowledge oriented movement in northern Sweden. Within a couple of years a new generation is raised that not have their roots in the natural resource based settlement structure, as previously has been the case.

To finalise this section, one should remember that although often only one story of colonisation and urbanisation is told about Norrland, during both the first and the second half of the century and at sub-regional level, Norrland went through a very diverse and unbalanced development (cf. Wiberg U. and F. Snickars, 1987; Wiberg, U., 2005.) Hence, although the transition from growth into stagnation could be observed at the regional level in the middle of the fifties, re-localisation of activities within the region in response to changing competitive conditions was strong and ongoing during the whole century.

6.3 THE PATH INTO A SELF IMAGE OF GRANT DEPENDENCE

Above, we observed that the discourse that during the first half of the century was focusing on investments for growth in Norrland, from the beginning of the sixties was shifted over to a combined grant and investment oriented discourse. The latter mainly was observable from the localisation of the university in Umeå and the institute of technology in Luleå. For a while it also seems to have been a relatively strong national consensus that the rapid migration into the larger cities brought about a too strong pressure on those and had to be moderated.

A similar line of argumentation may be seen today in relation to the European integration. There is an obvious awareness that the new major challenge resulting from the removal of the “iron curtain” will open up for a new urbanisation process, once again stronger than what is possible for the current agglomerations in Norrland to take care of. We also observed that a major difference in the current process compared with the sixties is that the larger cities has moved into a new competitive situation and now urgently want to attract more people. Hence the support in those for grants to less populated areas is weak or non-existing compared with the sixties. Instead, the larger cities want to attract as much resources as possible into their own areas to solve infrastructure, security, and integration problems.

The case for an active regional policy with the ambition to slow down the inflow of people to the larger cities was strong during the sixties. The interesting observation is why
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this policy continued also in the seventies and eighties instead of being transformed over into a more growth oriented policy with the aim to support structural change, creation of new settlement patterns, and creation of growth poles?

Our understanding of this was that politicians in Norrland had learnt to and developed a strong tradition in making their case for financial support by lobbying against the centre [c.f. the similar argument used by Olsson and Wiberg (2003) in explaining the success by Umeå in getting the university localised to the city although the competition with other cities in Norrland was strong]. In this respect they had got control over a sort of social capital at the regional level that easily was possible to transform in to a useful asset in the new situation.

A second explanation was that in the seventies there was a need for a new growth oriented policy, not only for Norrland, but for each of the Swedish regions, since Sweden had lost its traditional strong economic position and international comparative advantage in especially engineering industries. Hence, the interest of the region thus in some respects also became the interest of the nation.

A third reason may be found in the development of the cold war. This had before the removal of the iron curtain made the boundary between Sweden and Finland especially interesting. From a strategic national position it was necessary to keep upper Norrland populated.

A fourth reason was the development of national welfare redistribution system between all Swedish municipalities. Through this system, the link between the actual economic development in the municipalities and the welfare of the inhabitants was weakened, especially in the small municipalities with low population density. For some of the political leaders in those municipalities the debate over the rules for this redistribution became the main way in which they could have an impact on the welfare of the population. Hence, their ambitions were a rational response to the structure of incitements created.

A fifth, but more indirect reason was-the fact that the region in much had followed a development typical for the economic theory of “Dutch disease.” In this case natural resources give regions a “gift” or a grant, which both increases wages in the resource intensive industry and also give resources to expand the public sector. Hence it becomes much harder to develop e.g. labour intensive industries beside the natural resource intensive industries. This has a tendency to develop a settlement structure with relatively strong orientation towards the natural resources. A fact that not may be problematic until the region loses its advantage. Then a problematic adjustment of wages down to the new equilibrium level in the public sector, the development of a engineering industry and a reallocation of housing into locations that from the perspectives of new industries are advantageous has to be initiated. Clearly strong forces in the existing industries and locations will be against this process.

A sixth reason may be illustrated by the regional transport subsidy for Norrland. This gained wide acceptance in the nation with the aim of making Sweden “rounder.” The ambition of the time was to eliminate inequalities, and as one among other inequalities the difference in accessibility should be eliminated in order not to force anyone to leave his or here home place. The contemporary abolition of the division between cities and municipalities in favour for municipalities only is one of the strongest signs of this policy. Followed by the slogan that “the whole of Sweden should live,” it gave the impression that
public policy could eliminate distance, returns to scale of infrastructure, agglomeration, as well as the advantage of industry clusters.

Hence, the strongest mean for Northern Sweden in its competition for attractiveness, i.e. returns to scale of agglomerations, on ideological grounds was suppressed as a political instrument. It is important to observe that this view not only was a position from the region itself only but also a position held in the political elite, at least until the beginning of 1990.

Having fought for grants and allocation of investments to Norrland during more than half a century and comprising the position that the political will and the public sector actually could eliminate the impact of space and redistribute wealth, the dominating actors in northern Sweden was not prepared to handle the second period of drastic change that emerged in the beginning of the nineties. Now the political situation inside the country also had changed drastically.

The critical change was the collapse of the Soviet Union and the east block. Initially it was seen as a new possibility to improve trade in the east-west direction and get around the dependence on the national centre. This also became the case, but the growth of trade developed so much slower than the fact that the military reason for supporting northern Sweden was lost. And more over, trade with east also meant competition from east. This fact initially neither was considered by politicians nor by representatives for industry.

Instead the structural funds of EU came as a new target for the grant oriented region. However and as was indicated previously, in the nineties the situation in the country, in Europe, and in the World had changed drastically. In Sweden, the number of people living in the Stockholm area had been growing while the slow growth in northern Sweden had reduced the political power of the region. Measured as the share of the nation’s population as illustrated in Figure 6.6, this change becomes quite clear.

![Graph](image)

**Figure 6.6:** Share of Sweden’s population in Norrland and the county of Stockholm.

Source: Statistics Sweden.

Together with the fact that the number of unemployed and on sick-leave now were high in the north instead of in Stockholm as in the sixties, the slow growth in the region and the lack of overall attractiveness as reflected by the out-migration, the regional and other (1) grants to northern Sweden for the first time really was up to serious debate.
It then also became more and more clear that the grant discourse not only was a phenomenon among politicians. Ordinary people also expressed the opinion that Norrland had right to grants in response for the natural resources the region previously had, currently exported but not always owned. Pykman et. al. (2005) suggested that this was an expression for the Dionysian lifestyle that had developed in parts of Northern Sweden.1

The active support to the regional transport subsidy that also could be heard from parts of the industry may also be seen as another sign of how strongly rooted this "public grants for natural resources" way of thinking had become in the region.

6.4 FINAL COMMENTS

Today, Norrland once again may witness a more positive population development. Out migration has generally been changed to immigration and the region may look more positively on its own situation. However, and as is obvious from Figure 6.7 below, in the year 2004 still only Västerbotten is gaining people in the important segment of people in the age between 20 and 64 years.

![Figure 6.7: Net growth of population 20-64 years old in five counties, during 1975-2004.](image)

Source: Statistics Sweden.

In the internal debate on may also observe a more growth oriented discussion, where the previous focus on export of natural resources and grants is questioned and discussed. Also the fact that the region that marked itself as a region with healthy climate has developed into the least healthy region in Sweden and a region with high unemployment makes the case for development oriented grants difficult to develop if not drastic new policy ambitions may be pointed at.

1The extent to which this also was visible in larger cities or even if it dominated Northern Sweden was not dealt with in the small case study.
L. Westin

For the development of regional GRP in a developed economy, the home market is important. The overall attractiveness of the region on people then becomes a major question. As already Nilsson (1989) concluded; settlements becomes as important as workplaces in a regional economy that is moving into the service economy. Our addition to this conclusion would be that for attractiveness, the image of the region is important. A region with a growth rhetoric based on the need for continued transport subsidies, public grants, and low population density as a major problem (instead as an attractive option) add a political risk to any decision maker that consider to move into the region. Hence, the growth discourse in Norrland has to break with fifty years of grant oriented arguments and once again focus on its own attractiveness to build sustainable wealth. When this is established one may once again argue for "the Norrland question" and the fact that parts of North Sweden may offer advantageous locations for both public and private investments.
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Vol.2

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(Marginal Areas Research Group)
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