

URBAN ECONOMY VS. RURAL ECONOMY. FINDINGS FOR ROMANIA

POP Melania Gabriela

*Doctoral School o Economic Sciences, Faculty of Economic Sciences, University of Oradea, Oradea, Romania
popmelaniagabriela@gmail.com*

Abstract: *The paper aims to make a comparative study between the urban and the rural economy. We started from defining and typifying the urban and rural environment, identifying the differences between them and the impact of these differences on economic development. I listed after that the main determinants of the urban and rural economy, but also the interdependencies between the two types of economy. The conclusions show considerable changes in the urban and rural economy in relation to the traditional perspective, in the sense that the rural environment tends to be more urban, especially in terms of quality of life, and rural-urban interdependencies are becoming stronger.*

Keywords: *urban economy; rural economy.*

JEL Classification: *O13; O14; O18.*

1. Conceptual Delimitations: Definitions, Classifications, Typologies

Cities are nodal points in any country, they focus population, are cultural, educational centers, have the characteristics of a built environment, providing basic facilities for human activity.

In 1930, the Great Romania period, of the 18 million inhabitants, 80% were part of the urban area and only 20% were part of the rural area. In 1966 urban-rural proportions were reversed, and after 2005 urbanization began to accelerate in the sense that the number of people moving from rural to urban areas increased by 120,000 compared to those who moved from city to country, and between 1996 and 2008, this difference was 313,000.

(<https://www.academia.edu/5258054/Urbanizarea>)

Urbanization has accompanied the industrialization process. In developing countries, this occurred in the second half of the twentieth century as a result of rural-urban migration, against the backdrop of rural push factors (modernization of agriculture and rural poverty) and urban pull (industrialization and urbanization); are studies that attribute little importance to demographic factors in urban development, which opens new perspectives for the phenomenon of urbanization without economic growth, (Jedwab, Christiansen, Gindelski, M., 2017, pp. 6-16).

In Romania, however, the forced urbanization of the communist period had a positive short-term impact, but in time it turned out to be a mistake because many regions in the country provoked industrial specialization without other alternatives such as happened in the Jiu Valley, Copsa Mica or Baia Mare, with its collapse, a large part of the population remained unemployed and unable to reintegrate into the labor market in other areas domains of activity and on the other hand there were quite significant damages to the environment and the depopulation of some villages.

The term "urban" refers to the densely populated region or area that possesses the characteristics of a man-made environment. The inhabitants of this area are mainly

engaged in trade and services. The city offers more advantageous employment opportunities due to large-scale industrialization.

We define the term "rural" as a region located on the outskirts of the city, they refer to a small settlement that is outside the borders of a city, a commercial or industrial area with very few constructions and small population size. These areas, including villages of all size, unlike urban areas, have been established in places where natural vegetation and open spaces exist.

The main source of income for rural residents is agriculture and animal husbandry, and in some areas crafts and tourism.

According to the Nomenclature of Territorial Units for Statistics on NUTS Codes of Romania, at rural level, rural areas have territorial level level 5 (NUTS 5), where the density of the community does not exceed 150 inhabitants per km². This level classification established by the NUTS Regulation by the European Statistical Office (EUROSTAT) and approved by the European Commission and the European Parliament was made for the calculation of population typologies of territories. Through the UN joint project "Strengthening National Strategic Systems", the requirements on demographic thresholds at NUTS levels have been established. In Romania, according to the number of inhabitants per km², 4 NUTS 1 macroregions are comprised of two NUTS 2 regions with NUTS 3 regions subdivided into counties and the capital, (table no. 1).

Table 1. Demographic Classification of development regions in Romania

LEVEL	Subdivision	Number of subdivision	The minimum population	The maximum population
NUTS 1	Macroregions	4	3 mil.	7 mil.
NUTS 2	Regions	8	800 000	3 mil.
NUTS 3	Counties + București	42	150 000	800 000

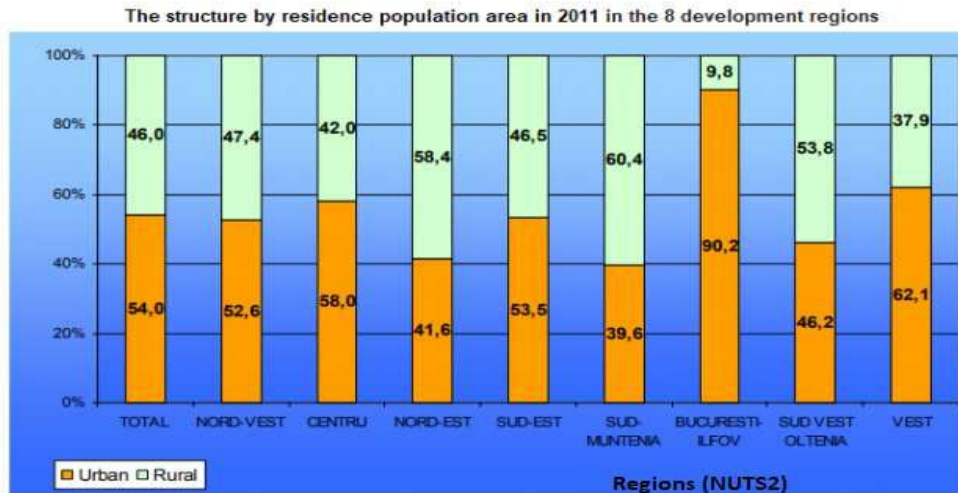
Source: <https://ec.europa.eu/eurostat/documents/345175/7451602/nuts-map-RO.pdf>

This hierarchical system aims to create a unitary territorial distribution structure at EU level to facilitate the collection and development of regional statistics for economic analyzes as well as the development of regional development policy in the context of EU cohesion policy.

Since 1988, the European Union has been publishing a three-yearly report on the socio-economic regional development of the Member States at NUTS 1, NUTS 2 and NUTS 3 levels, as well as for local administrative units LAU 1 for NUTS 4, and LAU 2 for NUTS 5. Depending on the results of this report, the Structural Funds are directed to the poorer regions than the EU average.

On the basis of the number and density of the population, the urban environment outweighs the rural environment. Thus, as of 2008, according to UN statistics, half of the world's population lives in cities and in Europe this percentage has been recorded since 1950. Looking ahead to 2050, it is estimated that 68.7% of the world's population will live in cities, in Europe the estimated percentage being 84.2% (United Nations, 2009).

Graph 1. The structure by residence population area in 2011 in the 8 development regions of Romania



Source: http://www.recensamantromania.ro/wp-content/uploads/2013/07/REZULTATE-DEFINITIVE-RPL_2011.pdf

On the spatial criterion, however, the rural population is outpacing the city, with the OECD establishing that 91% of EU territory is represented by rural areas. This means that the urban population density is much higher than the rural population (EPESP, 2000).

Three types of regions are currently being set up at EU level: predominantly urban, predominantly rural and intermediate.

On the Eurostat website the term “intermediate region” is defined as a component part of the rural-urban typology with NUTS development level 3, where between 50% and 80% of the population is resident in the urban clusters, unlike the “predominantly urban regions”, where more than 80% of the population are living in urban areas.

2. Differences between Urban and Rural Areas

We can analyze the fundamental differences between rural and urban areas based on several criteria.

Table 2. Differences between urban and rural

No.	Criterion	Urban environment	Rural environment
1.	Demographics	Numerous populations, low birth rates, low mortality, low urban-rural mobility	Population and low density, higher birth rates, higher mortality, high rural-urban mobility
2.	Labor market	Numerous and varied jobs, business opportunities	Less and predominantly jobs in agriculture
3.	Economic life	Industry, services	Agriculture
4.	Administrative organization	Districts, metropolitan areas	Little villages, villages, communes

No.	Criterion	Urban environment	Rural environment
5.	The natural environment	Poorly represented	Omnipresent
6.	Level of Development	Planned and systematic development. As a rule, high living standards, but with poor enclaves	Rural settlements are less developed but more homogeneous in terms of living standards of the population
7.	Social mobility	Residents frequently change their residence or workplace in search of new opportunities	Residents are more stable
8.	Life quality	Better, transport infrastructure, water, sewage, electricity, gas, school infrastructure, sanitary, cultural infrastructure	Worse, lack of infrastructure
9.	Complexity of relationships	Extensive relationships, complicated, often tense, relationships, generated by crowded dwelling in blocks	Solid interpersonal relationships, simplicity, relaxation

Source: Own work

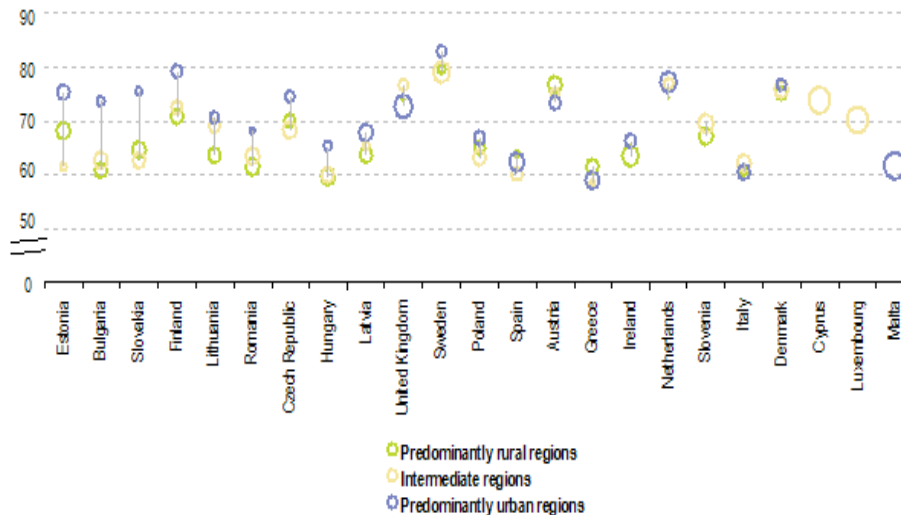
The above table highlights major differences between rural and urban areas in terms of all the criteria taken into account, allowing for a definition of the two environments. Thus, we can define the urban environment as large localities and population, where economic life is well developed, where industry and services predominate, offering numerous and varied jobs and, implicitly, high incomes. All this provides residents with a better living standard, based on multiple opportunities and a complex infrastructure, but involves superficial and often strained human relationships.

In contrast, the rural environment is defined by smaller localities as area and population associated with agriculture, lack of infrastructure and economic development opportunities with low living standards, having the benefit of the natural environment and the inertial relations consistent.

The differences between urban and rural areas are not equally valid, but in all geographic areas there are developed countries like Germany, where these differences are not so obvious, especially if we are considering the quality of life criterion.

It can be argued that the first five criteria: demography, the labor market, economic life, administrative organization and the natural environment are still criteria for differentiation between urban and rural areas in most geographic regions. For example, with regard to the labor market, Eurostat data are relevant for differences in employment rates of people aged between 20 and 64 year-old in urban and rural areas in the European Union.

It can be seen that in most EU countries the employment rate is higher in predominantly urban areas, except in the southern European countries (Spain, Greece, Italy), but also in the Netherlands, Denmark and Poland where agriculture is an important economic branch. In Romania, there are obvious differences between urban areas on the one hand and rural or intermediate ones on employment rates. This may also be due to the lower quality of rural human resources, often private to evacuation, health, cultural or recreational services, relative to the urban environment.



(1) Belgium, Germany, France and Portugal, not available; Czech Republic, 2010; the size of the bubble reflects the share in total population of each type of region.
 Source: Eurostat (online data codes: urt_lfe3emprt and urt_pjanagr3)

Graph 2. Population rates between 20-64 years old in urban and rural areas
 Source: EUROSTAT statistcis

The last four criteria: the level of development, social mobility, quality of life, and the complexity of inter-human relationships are no longer relevant, with proximity or distortion to the traditional situation. Thus, there are common, generally large, more developed than some small towns; social mobility also has a trend opposite to the traditional one, namely urban-rural migration, especially to the peri-urban areas, in search of a quieter, healthier life; the quality of life has improved considerably in Western Europe, benefiting from the same infrastructure facilities (transport, sanitation, energy, information technology, etc.) such as urban areas: inter-human relations, on the other hand, have deteriorated much in the environment rural areas under the impact of technology and changes in the modern world.

In Romania, the differences persist between rural and urban under almost all aspects. In addition, the proximity between urban and rural areas is less achieved by urban proximity and urban deterioration (in the case of small, deindustrialised towns or urban areas declared in spite of precarious economic and social conditions). (Gidiu and Toader, 2011, p.1) are of the opinion that "in Romania there are substantial differences between rural and urban areas. Differences in consumption patterns between rural and urban people. In rural areas, the population is spending less in all goods and services that reduce their standard of living".

The study of some agglomeration theories to identify why the city is more attractive includes the following:

- In cities, the circulation of products is much more efficient, with the urban environment

- Offering a much larger portfolio of suppliers, this will favor mobility by significantly reducing the route with the movement of goods and, implicitly, lost time but also transport costs
- Cities offer the advantage of interaction and knowledge transfer of collaborative business representatives
- Cities offer the opportunity to develop innovative ideas or knowledge in the economic field through the contribution of the people engaged in this segment of creativity, which contributes to the formation of specialized human capital
- In cities, human capital is more widespread and more diversified. (Glaeser, 2009)

The new knowledge-based economy, with advanced technology focused on fast electronic communication and unlimited access to information, has managed to narrow the gap between urban economies and rural economies, but there are still very large digital differences.

In Romania, there is currently 27% of the employed population in agriculture, the rural population occupying 45%, (National Institute of Statistics, Vol. 2, Population 2011 on localities), from which we conclude a lag behind in terms of the development of agriculture, but also the modernization of life in villages. American sociologist Daniel Bell has called into question the fate of agriculture, meaning that the post-industrial society or knowledge outweighs the industrial one but does not overturn and rely on it, and the two sectors of industrial production and knowledge will continue to rely on agriculture, underlining the fact that the agricultural branch remains the primary source of human survival, and the other stages only overlap with it, such as "the leaves of a goat". Thus, only work and activity change through the emergence of industrial social structures, and then their restructuring based on information and communication technologies. Therefore, agriculture will remain a basic element in the survival of humans, and the other phases will only add new stages in its evolution.

Consumers prefer areas where they have the opportunity to find a better paid job, they benefit from diversified services that improve their personal comfort, and firms prefer areas where salary spending is lower, but urban areas have more workforce expanded and varied, and transport costs are much lower. The facilities offered to the consumer by the urban environment are:

- education,
- access to health services,
- meeting the need for culture,
- entertainment,
- good communication skills etc

The lack of facilities must be identified by a SWOT analysis of the urban system, thus forming strategies to compensate for their lack and/or to make good use of the chances. It is also recommended to know and evaluate threats that could lead to certain dysfunctions and focus on the strengths of the areas. A diagnostic analysis of the urban and rural system for social infrastructure, community life, the economy of the productive sector and services, territorial marketing, cultural heritage, polluted industrial lands, quality of public services, citizen safety, sanitation, industrial wastewater treatment, transport, local roads, bridges, passages, parks and gardens

etc., and depending on the results of the qualitative indicators, priorities will be set for the development of the urban or rural system.

Community development should focus on attracting financial resources, but also on building sustainable public-private partnerships between local government, civil society, other organizations and / or European organizations to develop local development projects by accessing European funds through various national funding programs (eg The National Rural Development Program 2014-2020) so that a traditional approach will no longer meet the current competitiveness requirements at European level.

3. Determinants of the Urban and Rural Economy

3.1. For Cities:

Geographical factors: Geographical Features: Relief, Climate, Water, Air, Water and / or Land Transport Possibilities (The first railways have determined the path dependence on the location of the cities, after which this effect is no longer felt; high speed and the interconnection between these trains or between different means of transport increases labor mobility and specialization). The position of a city over other cities.

Economic factors: entrepreneurship, resources, market, economic equilibrium or specialization, transport costs for the population and for companies; "Traffic congestion leads to higher costs, lower productivity and accidents; however, public transport or other alternatives to owning a vehicle may partly offset this. Distance or proximity to transport centers is particularly important for business development and tourism.

Job creation is usually higher in urban areas, largely due to the population density, the inherent markets they produce and a larger and more diverse workforce. In addition, urban areas with large populations become more attractive to people and businesses by creating economies of scale (agglomeration savings). "

Demographic factors: Population (urban concentration has both benefits and associated costs), labour force

Policy factors: Urban development strategies (national, local), land-use policies

Cultural factors: schools, other cultural institutions

- Historically-themed parks such as the Bulgarian model, for which partnerships have been made between teachers, historians, archeology specialists, architecture, art, and restorations. Such a park could harness a space of a decommissioned industrial area. While this project would alter the tourist profile, (<https://www.novinite.com/articles/194570/The+Biggest+History+Park+in+the+World+Opens+in+Bulgaria%2C+Near+Varna+in+the+Spring+%28Photos%29>)
- Community Centers that function as logistics centers in which various events will be organized with the objective to develop and revitalize the city such as: brainstorming meetings with citizens of the city regardless of social environment, ethnicity or age, representatives of local public authorities, non-governmental organizations and / or the business community; workshops; exhibitions
- workshops for the development of young people and children by expanding talents, enhancing aesthetic and artistic sense,

- international creative industry festivals (eg SCIEFEST - Science and Creative Industries Festival) where workshops will be organized in collaboration with universities or researchers by presenting inventions, innovative projects or applications
- high tech festivals (eg Tech Expo Bucharest) devoted to students, entrepreneurs or professionals to encourage innovation and adoption of new technologies
- workshops to support the research community at national level (eg enformation) through partnerships with libraries, research institutes, universities and private and national non-national companies
- internship programs for students to provide them with a job and put into practice the learned theory (<https://www.e-nformation.ro/cariere>).

Environmental factors: parks, air quality, water quality (investments in water infrastructure, together with sewerage systems increase the quality of urban life and increase the life expectancy of the inhabitants (Kesztenbaum, Rosenthal, 2018, pp 174-186). Services: Health, trade, living spaces

3.2. For Rural Localities:

Geographical factors: Relief, climate, water, proximity of the city

Economic factors: In Romania, the interest in organic products and the domestic bio-products market is very poor. Although a certain demand exists, retailers and retailers are more likely to turn to product imports.

According to EUROSTAT statistics, about 300,000 ha of the country's agricultural area was grown without chemical fertilizers or far away from pollution, meaning only 2% of the country's agricultural area is occupied by organic crops. Unlike Western countries, Romania has a much higher potential for organic farming, because the land is much cleaner, since it is not affected by intensive farming with technologies that call for the full potential of the earth, and yet, despite this fact, Romania places the middle of the ranking of organically grown areas.

Although the urban population declined by a much higher percentage than in rural areas due to massive emigration, a relatively equal ratio between urban and rural was maintained due to the transformation of rural areas into cities.

Demographic factors: Population, labour force

From the collection and processing of the data collected in the October 2011 on the migrant segment of the population abroad, it is revealed that the percentage of persons left for at least one year abroad is higher in the urban environment (54%) compared with 46.0%, representing migrants from rural areas. To other countries, young people in the work category are heading in particular: 46.2% young people aged 20-34 and 24.8% young people aged 35-44.

On January 1, 2016, urban areas, in the 320 municipalities and towns, lived 12,546,212 people, and in the rural area 9,695,506. The share of urban population was 56.41%, down slightly from January 1, 2015(56.44%) (http://www.insse.ro/cms/sites/default/files/field/publicatii/populatia_romaniei_pe_lo_calitati_la_1ianuarie2016_0.pdf.)

Although the phenomenon of migration is higher among the urban population than the rural population, paradoxically the percentage of the rural population is smaller than the urban population, the explanation being the urbanization process, a concept defined as:

- "Intensive development process of existing and rising urban cities and urban populations" (Erdeli et al 1999, p. 339)
- "the faster transformation of a rural area or agglomeration by increasing the urban population" (Giblin-Delvallet, 1995, p. 1559),
- "The process by which the development of urban and rural localities is achieved as a place of concentration and of integrated industrial-agricultural activities, as well as the development and extension of the urban way of life" (Cucu, 1981, p. 273),
- "global social process through which a transformation of social and professional structures, a restructuring of the forms of rural existence and the old urban forms by new models" (Voinea, 1993, pp. 658-659).

Policy factors:

Improving The situation of young people in the NEETs category – The objective of the project is the inclusion in the labour market of young people from rural areas and young people aged 16 to 24 years, registered in the records Employment Agencies residing in certain eligible development regions that do not work or do not follow a vocational training course.

Cultural Factors: Traditions, customs, Pilgrimage areas, Manufacturing Services

4. Rural-Urban Interdependencies

Europeans have adopted urban lifestyles and use urban facilities such as cultural, educational or medical services. Although cities are the engines of the European economy and the generators of Europe's welfare, they are heavily dependent on the resources of the outer regions in order to cope with energy, water, food and waste management and polluting emissions.

(<https://www.eea.europa.eu/ro/themes/urban/intro>)

The demarcation Line between rural and urban is increasingly dimmed. ("the urban-rural continuum"). An growing segment of the population resident in the urban area, namely among the categories of persons who have the financial potential to invest in buildings located in the periurban areas, but also of persons aged over 65 years who want a quiet life away from the urban hustle, reorient to a new note of his own comfort: a tranquil atmosphere beyond the vibrant and alert city life. This category of people who will migrate in increasing numbers to the rural areas in the proximity of cities, will try to retain their comfort from the urban environment by developing the infrastructure of the area where they will move to bring it as much as possible to the standards they are accustomed to live in the city or across borders, thus participating in the urbanization of villages.

The Advantage that urban migrants could bring to the development of the rural area would be to open them to start-ups in non-agricultural activities through non-reimbursible financing programmes in areas such as: production, creative industries, IT programming, services, trade, and other activities, which could attract tourists, various investors to the area, or other actors of business environments. At the same time, the rural population tends to migrate to cities as they offer them: better paid jobs, better living conditions, specialised health services, education and culture at a higher level, as well as other facilities. Another motivation for migrating to the urban area would be the need for a certain freedom that they can only have in the city, unlike the village, where there is a certain social control on the part of the family as well as the small traditional community of the village, which could create a perception

of the individual's bias in the manifestation of his creativity, and the individuality and originality of his own person, but also of other qualities that the subjective subcognition of this patrithal atmosphere might be able to plummet. Thus those leaving the countryside to cities, will adapt to urban life, and those who depart from towns to rural areas close to the towns from which they come to escape the city's noise, congestion, pollution, to be closer to nature and to benefit more space will contribute to the urbanization of the village.

- Rural-Urban Continuum
- Metropolitan Areas
- Urban Supply of cities with agricultural products and rural villages with industrial products (disrupted by massive international trade)
- Workforce Flows
- Rural-Urban Clusters

5. Conclusions

The Configuration of rural and urban development has changed over time, influencing also the rural and city economy, which have developed, paradoxiously, together and yet different. Together, given the dependence of one another, different from the perspective of the activity object.

Considering Rural and urban areas as interconnected and interdependent, the European Union seeks to balance the level of their development by allocating funds for rural development. It is also the case for the European Regional Development Fund (ERDF), established in 1975 with the aim of mitigating differences between different regions and strengthening economic and social cohesion in the EU. However, There is an important challenge for the EU to match the objective of economic competitiveness and liberalization, with economic and social cohesion (Committee on Spatial Development, 1999)

The Chances of success in this regard lie in diversifying the rural economy, increasing capital flows and developing entrepreneurship in rural areas, particularly in the field of tourism and organic farming.

References

1. Gîdiu, V., Toader, V.(2011). ANALYSIS OF ECONOMIC GAPS BETWEEN URBAN AND RURAL ROMANIAN AREAS,
2. United Nations (2009) World Urbanization Prospects. The 2009 Revision. Available online: <http://esa.un.org/unpd/wup/index.htm>
3. Edward L. Glaeser & Joshua D. Gottlieb, (2009). "The Wealth of Cities: Agglomeration Economies and Spatial Equilibrium in the United States," *Journal of*
4. *Economic Literature*, American Economic Association, vol. 47(4), (December 2009)
5. Jedwab, Christiansen, Gindelski, M., 2017,
6. Kesztenbaum, Rosenthal, (2018), Sewers diffusion and the decline of mortality: The case of Paris, 1880-1914 (Online) Available: <https://ideas.repec.org/a/eee/juecon/v98y2017icp174-186.html>
7. Ministerul Agriculturii și Dezvoltării Durabile, "Programul Național de Dezvoltare Rurală, 2007 – 2013", version June 2010, Accessed April 12, 2019
8. <https://ec.europa.eu/eurostat/documents/345175/7451602/nuts-map-RO.pdf>

9. http://www.recensamantromania.ro/wp-content/uploads/2013/07/REZULTATE-DEFINITIVE-RPL_2011.pdf
10. <https://www.novinite.com/articles/194570/The+Biggest+History+Park+in+the+World+Opens+in+Bulgaria%2C+Near+Varna+in+the+Spring+%28Photos%29>