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## **DOES THE IDEA OF THEMATIC VILLAGES GO IN LINE WITH THE (NEW) INSTITUTIONAL ECONOMICS APPROACH TO REGIONAL DEVELOPMENT?**

*CZY IDEA WIOSEK TEMATYCZNYCH JEST ZBIEŻNA Z KONCEPCJĄ  
ROZWOJU REGIONALNEGO BAZUJĄCĄ NA (NOWEJ) EKONOMII  
INSTYTUCJONALNEJ?*

**Key words: institutional economics, regional development, thematic villages**

*Słowa kluczowe: ekonomia instytucjonalna, rozwój regionalny, wioski tematyczne*

**Abstract.** The paper presents proposals (found in literature) of supporting regional development based on the theory of institutional economics (both original and new approach). The second part contains a description of thematic villages and methods of creating them. Finally, the ideas of supporting regional development and village development are compared. It is concluded that even though practical advice in most of the cases differs between region and village, both approaches are based on the same theoretical assumptions.

### **Introduction**

Present global trends of specialisation and intensification of agricultural production have an influence both on incomes and the social life of inhabitants of rural areas in Poland. Due to mechanisation, the need for neighbour help declines, and because of specialisation there are less common topics to discuss. As a consequence, village citizens are no longer a unity with regard to living, work, and interests. It happens that farmers socialize more with those with the same specialization than with their neighbours (no matter what the distance), which was not common a couple of years ago [Perepeczko 2009]. Simultaneously, small and medium-scale farmers, who cannot compete with large farms, are looking for additional, off-farm sources of income.

One of the ways to revive feelings of having a common goal and cooperation and at the same time get additional income is creating a thematic village, which focuses its development on a certain topic (local food, craft, history, or some other ideas). The inhabitants of a thematic village prepare unique tourist attractions based on local cultural, natural, and social heritage. It is assumed that it should lead to greater self-confidence of people engaged in the project, better evaluation of their own village, and creation of additional sources of income [Idziak 2008]. The creation of thematic village is in most cases supported from outside, with the use of trainings and workshops, study visits in other villages, etc. In this manner it is quite similar to regional development, where there is a need for external advice, investments, and other support. Being fully aware of the fact that a village develops through different actions to those of a whole (rural) region, it is interesting to assess to what extent the advice of how these two (differing) entities should be supported can follow similar rules. The whole analysis will be done in the context of institutional economics, according to Oppen's [2008] remark that real-world phenomena in transition- and development economics can be better done with the use of institutional economics than with neoclassical thought. It is hypothesised that most of the basic rules should be the same; however they can be followed by completely different practical advice. The methods used are study of literature, description and comparisons.

### **An institutionalist perspective on regional economic development**

Comparing to classical economics, institutional economics pays more attention to the rules that influence behaviour apart from pure market relations. According to Groenewegen et al. [2010], it states that “each society, be it on a local or a national scale, has its own specific institutional environment consisting of a hierarchy of different kinds of institutions: values, norms, conventions, and specific rules, whether formal or informal”. Consequently, in order to understand the differences between behaviours of different actors, the institutional environments should be studied [Groenewegen et al. 2010]. “While mainstream neoclassical theory assumes the institutional framework within which markets operate, institutional theory and the recent experience of transition economies in particular suggest that market-promoting institutions cannot be taken for granted” [Efendic et al 2011, p. 587]

A very interesting approach towards regional development was presented by Amin [1999]. Basing on institutional economics and economic sociology he suggested a list of ideas that could help creating a successful policy of regional development. He begins with quoting an idea coming from economic sociology that markets are socially constructed, which implies that economic behaviour is embedded in networks of interpersonal relations. This clearly goes in line with the approach of institutional economics, where norms and conventions are explicitly mentioned as factors influencing economic decisions. The second idea, coming from behavioural economics, and evolutionary and cognitive psychology, is that economic behaviour and the decision-making of agents strongly depend on actor-network rationalities. Thirdly, original institutional economics discovered that the economy is shaped by collective forces, not only by a set of individual preferences.

Basing on these three principles Amin [1999] listed a set of rules of economic governance. Firstly, policy actions should not concentrate on individual actors, such as certain investors being offered lower taxes, but should include actions strengthening networks of association. Secondly, some attention should be paid to encourage active participation and such rationalities of behavior that help actors to learn, adapt, and build strategic vision. Thirdly, it is important to mobilize a plurality of autonomous organizations, because state and market institutions alone are not enough to establish effective economic governance. Fourthly, there should be some incentives to build a broad base for local intermediate forms of governance, such as social citizenship, enterprise support systems, political institutions, etc. Finally, the solutions have to be “context-specific and sensitive to local path-dependencies”. Coming closer to life, these rules are then translated to practical methods of how to build the wealth of regions, and not only of individual companies. They will be presented below.

The first piece of advice suggests building clusters and local economies of association. Obviously, such popular methods of supporting development like investments in trainings and advanced communications systems are desirable, but not sufficient for making a region competitive. Policy actions should be focused on “supporting clusters of interrelated industries which have long roots in the region’s skill- or capabilities-base” [Amin 1999, p. 370]. This approach enables taking advantage of specializations along the supply chain. Institutional support such as technology transfer and access to producer services can be targeted to firms in certain clusters, just as a policy focusing on supporting inter-firm exchange through buyer-supplier linkage programmes, task specializations, etc. It has to be remembered, however, that these clusters should not be merely copied from the experience of other successful regions, but be rooted in local environment.

Secondly, the strategies should consider learning to learn and adapt, because dynamic competitiveness of a region requires ability to anticipate existing and future possibilities. Obviously it results partly from the density of skilled and professional people and institutions, and the availability of intermediate centres of information, such as trade fairs, business service agencies, etc. There is also an important part to be played by the depth of linkages between schools, universities, and industry. Additionally, an important role can be played by the quality of ties connected with economies of association, influencing the flow of information, innovation, and knowledge. Finally, the ability to change is strongly determined by the ability of the actors to look at their region from outside in order to foresee opportunities, and then evolve.

It is also important to broaden the local institutional base. It is clear that region-building requires some political power and independence of its rulers. However, limiting action to securing a certain level of regional political autonomy is not sufficient. According to institutional economics decision-making should be done through independent representative associations, so the regions need to find ways of developing a pluralist and interactive public sphere where both state and non-state institutions can discuss their views and opinions. However, “path dependency and the stickiness of beliefs and norms explain why underdevelopment cannot be overcome by simply importing institutions that were successful in other countries. There are numerous examples of failures” [Shirley 2005, p.629]. Less developed regions face an important task of reviving local social capital, restoring a pride of place of belonging, investing in the social infrastructure and initiatives in marginalized communities aiming at rebuilding their confidence and capability [Amin 1999].

Another method to develop a region is mobilising the social economy. Development policies should stimulate local entrepreneurship, focusing strongly in fighting long-term structural unemployment. To do that, active labour market programmes should be aimed, among others, at stimulating socially excluded groups, monitoring informal economy and helping firms on the edge of the black market to come back into the formal economy. Public policy support for community projects, run by the third sector, need to involve excluded groups either as providers or users of socially useful services. However, the support should be given cautiously, leaving most of the decisions to local actors.

### **Creating thematic villages<sup>1</sup>**

The general idea of thematic villages is close to place marketing, where creating the strong brand of a region, a city, or a country is aimed at attracting new citizens, investors, and tourists. Similarly to regions, the villages should become more competitive – if not to attract investors, at least not to let the best people move to cities. It usually begins with the idea to do something new, make people more socially active, to develop the village. It is very important to find a group of people interested in joint work to make the village more recognizable, as one person would find it more difficult to look for new ideas, try new solutions (fear of being commented as ridiculous), attract clients, and get financial resources.

The topic for future development of the village should be associated with a certain product offered by this place. It is essential that the brand name is widely recognizable and strongly approved by the citizens; otherwise its chances to persist are rather weak. Thus, the first step after the idea of creating a thematic village that emerges, is to consult it with the villagers. Usually the search for the topic needs a SWOT analysis to be carried out; it is recommended to do this from the point of view of modern economic trends: knowledge economy and creative economy. Searching for strengths and uniqueness requires belief in success and keeping the chosen path. In most of the cases the villages choose the topic based on their traditions (farming specializations, craft, art, sport, customs etc.), the name of the village (if it has a meaning or associates with something), natural conditions, legends, food, but also literature or abstract ideas such as healthy lifestyle or happiness<sup>2</sup>. It refers somehow to the idea of developing regions based on its strengths, and not on purely copying successful examples from other regions.

<sup>1</sup> If not stated otherwise, the suggestions of how to create a thematic village and what are its goals come from the book by Idziak [2008].

<sup>2</sup> According to research carried out by the author in July 2013 in Poland, the topics were decided on in the following way: out of 63 interviewed villages, topics for four of were chosen based on the village name and 12 resulted from strong local traditions, where the choice was really obvious to the citizens - usually related to an occupation, but also remainings of ethnic minority. Brainstorming sessions following analyses of resources and strengths of the villages and their surroundings resulted in the development of 32 topics, and 15 were chosen for other reasons. The research tried to encompass the whole population (there are at least 80 confirmed thematic villages in Poland). For more see: [Kłoczko-Gajewska 2013].

After the topic is chosen, it is important to search for information concerning this specialization: already existing thematic villages, events related to the theme, organizations that deal with similar issues, potential clients, partners for cooperation. Even if the topic has already been chosen by other thematic villages, the offer would still be unique due to different local conditions. Later on it is crucial to find support within the village, in local surroundings and even in the whole country or abroad: various local leaders, artists, scientists, students of sociology and culture faculties, study visits in more developed thematic villages.

At this stage a plan of development has to be prepared: not too detailed, because the perspective changes as the villagers get more experienced and gain new contacts. It is good to organize a bigger event (for example a picnic or a feast) to promote the new image of the village, gain new contacts, try out organizational skills, and get a first visible success. Gradually the village should shift from one-two events from time to time to more constant activities. With time, the main effort is put into action, while planning is just a support.

In most<sup>3</sup> thematic villages (after some time) people become more active and self-assured, they feel more recognisable and proud of their village. They learn how to be active, train organizational skills, and how not to be afraid of implementing their ideas. Trainings offered to the villagers should concentrate on learning by doing and experimental learning; it is essential to stimulate their creativity, as it leads to innovations.

In order to develop in the current economic environment, villages need partnerships related to the topic of interest – not only within some territorial boarders, such as in the LEADER+ program, but also expanding beyond their closest neighbourhood.

### Comparing suggestions for supporting regional development and creating thematic villages

Having presented proposals of how to develop regions and villages, the suggestions will be compared in Table 1.

Table 1. Comparison of approaches aimed at creating thematic villages and developing regions according to the concept of institutional economics

*Tabela 1. Porównanie podejścia stosowanego przy tworzeniu wiosek tematycznych z podejściem stosowanym przy rozwijaniu regionów opartym na koncepcji ekonomii instytucjonalnej*

Developing regions/ <i>Rozwijanie regionów</i>	Creating thematic villages/ <i>Tworzenie wiosek tematycznych</i>
Building clusters and local economies of association (strengthening networks)/ <i>Tworzenie klastrów (grup) biznesowych oraz wykorzystywanie ekonomii zrzeszania się (wzmacnianie sieci powiązań)</i>	
<ul style="list-style-type: none"> <li>– supporting clusters of interrelated industries that would be able to cooperate and share knowledge/<i>tworzenie grup powiązanych ze sobą działów przemysłu, które byłyby zdolne do współpracy i dzielenia się wiedzą</i></li> <li>– creating networks mostly on a local scale/<i>tworzenie sieci powiązań głównie w skali lokalnej</i></li> </ul>	<ul style="list-style-type: none"> <li>– many people from one village offering their products and services under a common brand and exchanging their experiences with organizations interested in similar topics from other places/<i>wielu mieszkańców jednej wsi oferujących produkty i usługi pod wspólną marką oraz wymieniających doświadczenia z zewnętrznymi organizacjami o podobnym zakresie zainteresowań</i></li> <li>– looking for contacts even far away from the place of work/<i>poszukiwanie partnerów do współpracy nawet w dużej odległości od miejsca działania</i></li> </ul>

<sup>3</sup> In the author's research: ¾ of the analysed villages.

Table 1. Cont.

Tabela 1. C.d.

Developing regions/ <i>Rozwijanie regionów</i>	Creating thematic villages/ <i>Tworzenie wiosek tematycznych</i>
<i>Learning to learn and adapt/Uczenie się jak się uczyć i adaptować do zmiennych warunków</i>	
<ul style="list-style-type: none"> <li>– building a strategic vision requires a “look from outside”, an advisor/<i>tworzenie strategicznej wizji wymagającej “spojrzenia z zewnątrz”, doradcy</i></li> <li>– a need for a plan that is adapted to changing circumstances/<i>należy stworzyć plan, który następnie jest dostosowywany do zmiennych okoliczności</i></li> <li>– a stress on supporting ability to learn and respond to opportunities/<i>istotne jest wspomaganie umiejętności uczenia się i reagowania na pojawiające się możliwości</i></li> </ul>	<ul style="list-style-type: none"> <li>– in many cases the initiator was someone partly from outside (moved in about 10-15 years ago or went away to study and then came back with a fresh judgment)/<i>w wielu przypadkach inicjatorem była osoba niejako z zewnątrz (wprowadziła się do wsi 10-15 lat wcześniej lub wyjechała na studia i wróciła ze świeżym spojrzeniem)*</i></li> <li>– a need for an advisor or someone helping to prepare a decent SWOT analysis/<i>potrzebny jest doradca lub osoba, która pomoże przygotować rzetelną analizę SWOT</i></li> <li>– a need for a plan that is adapted to changing circumstances/<i>należy stworzyć plan, który następnie jest dostosowywany do zmiennych okoliczności</i></li> <li>– a stress on supporting ability to learn and respond to opportunities/<i>istotne jest wspomaganie umiejętności uczenia się i reagowania na pojawiające się możliwości</i></li> </ul>
<i>Broadening the local institutional base/Poszerzanie lokalnej bazy instytucjonalnej</i>	
<ul style="list-style-type: none"> <li>– an emphasis on building local social capital and restoring a pride of place of belonging/<i>podkreśla się wagę tworzenia lokalnego kapitału społecznego oraz odbudowania dumy z miejsca zamieszkania</i></li> <li>– actors are formalized (e.g. NGOs)/<i>grupy zaangażowane są sformalizowane (np. organizacje pozarządowe)</i></li> </ul>	<ul style="list-style-type: none"> <li>– an emphasis on building local social capital and restoring a pride of place of belonging/<i>podkreśla się wagę tworzenia lokalnego kapitału społecznego oraz odbudowania dumy z miejsca zamieszkania</i></li> <li>– leaders usually begin as an informal group, and with time some of them create associations/<i>najczęściej inicjatorzy zaczynają działalność jako grupa nieformalna, a z czasem część z nich tworzy stowarzyszenia*</i></li> </ul>
<i>Mobilising the social economy/Mobilizowanie ekonomii społecznej</i>	
<ul style="list-style-type: none"> <li>– empowering local actors, with only supporting role of the authorities/<i>przekazywanie władzy lokalnym uczestnikom; władze jedynie udzielają wsparcia</i></li> <li>– excluded groups provide socially useful services in order to gain self-respect and activate themselves/<i>grupy wykluczone oferują usługi użyteczne społecznie aby się uaktywnić i odzyskać poczucie własnej wartości</i></li> </ul>	<ul style="list-style-type: none"> <li>– empowering local actors, with only supporting role of the authorities/<i>przekazywanie władzy lokalnym uczestnikom, władze jedynie udzielają wsparcia</i></li> <li>– excluded groups provide socially useful services in order to gain self-respect and activate themselves/<i>grupy wykluczone oferują usługi użyteczne społecznie, aby się uaktywnić i odzyskać poczucie własnej wartości</i></li> </ul>

\* according to the research carried out in Poland in July 2013 [Kłoczko-Gajewska 2013]/według badań przeprowadzonych w Polsce w lipcu 2013 roku [Kłoczko-Gajewska 2013]

Source: own study

Źródło: opracowanie własne

## Summary and conclusions

To sum up, a suggestion of how to develop regions according to institutional economics and the idea of thematic villages follow the same general rules. It was hypothesized that they could create a similar pattern, but the scale of similarity was somehow surprising. Obviously, the more detailed the description, the more differences in practical advice, as was hypothesised at the beginning. However, some pieces of advice were exactly the same, such as activating the socially excluded, putting emphasis on a bottom-up approach with a little help from the outside, or taking into account local conditions and path-dependency. It would be an interesting idea to measure what the real-life effects of these approaches are.

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### Streszczenie

Przedstawiono propozycje wspierania rozwoju regionalnego bazujące na teorii ekonomii instytucjonalnej (zarówno nowej, jak i w tradycyjnym ujęciu). Oparto się na literaturze przedmiotu. Zaprezentowano ideę wiosek tematycznych oraz sposób ich tworzenia. Porównano sugerowane metody rozwoju regionu z opisaną metodą rozwoju konkretnych wsi. Na podstawie analiz można wywnioskować, że chociaż konkretne przykłady metod wspierania rozwoju regionu i wsi w wielu przypadkach się różnią, wynikają one z tych samych założeń teoretycznych.

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