

**THE GROWTH MACHINE CONCEPT IN A RURAL AREA
(THE CASE OF DVE MOGILI MUNICIPALITY, BULGARIA)**

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Abstract: *in this paper it is given the basic theoretical background of the Growth Machine Concept in the ex-socialist countries in Eastern Europe. The findings are related to the case of the Bulgarian rural municipality of Dve Mogili describing the level of collaboration which the local political and economic elites have achieved and thus they have developed a rural growth coalition leading to a regional development..*

Keywords: Growth Machine Concept, Dve Mogili rural Municipality, Bulgaria

INTRODUCTION

The end of XX century has been rather dramatic for the rural development of the ex-socialist countries. Many of them have faced sever difficulties to keep their economic growth. The political tensions and the economic disadvantages put under question the prosperity of the Bulgarian rural municipalities. Some of them have faced a dramatic failure, loosing majority of the population; others have managed to slow down the negative impact of the transition period adapting their realities to the new political, social and economic environments. A key factor is the role of the political class and its skills, gained during the socialist period and the decade of transition to the marketing economy. The aim of this paper is to study the application of the growth machine concept in Dve Mogili municipality, Bulgaria, as a good model for a rural development, which is the contribution of this paper.

THEORETICAL BACKGROUND

Twenty years after the collapse of communist regimes, Eastern European countries seem to have embraced the capitalist model of development albeit with various degrees of success. The central component of the new paradigm is economic growth, serving as the engine of socioeconomic modernization. However, neither growth nor its benefits are evenly distributed, and this is especially true in Eastern Europe where many countries struggle with historically scarce resources. The increasing inequalities within the region are particularly painful after the relative egalitarianism of state socialism.

The issue of uneven development has produced a large literature in the past decades, including the discussion about the actors who promote growth policies leading to such unevenness. Studying local development patterns more than 30 years ago, Harvey Molotch (1976) introduced the concept of growth machine, claiming that urban development is not driven by market supply and demand, rather by a coalition of elites who benefit from the local growth. The concept was later elaborated and tested providing empirical evidence for its existence in the United States (Lyon et al, 1981; Logan et al, 1997; Jonas and Wilson, 1999; Humphrey, 2001).

One obvious result of the empirical tests as well as the theoretical elaboration of the growth machine concept was that while it has certain basic characteristics, it is also contingent on local socioeconomic and historical conditions. The various Western examples of growth machine politics discussed the role of business groups influencing local politics to achieve their own economic agendas. The analysis of the growth machine dynamics in a post-socialist setting argued that politics in general and the political elite in particular are more important in Eastern European growth coalitions (Kulcsár and Domokos, 2005). This importance can be explained in the context of the elite change during the post-socialist transformation.

In the original growth machine thesis, economic power is transformed into political influence. However, as Eyal et al (1998) pointed out, one remarkable feature of the new Eastern European capitalism was the obvious lack of a genuine capitalist class. The various elite transformation theories argued that in many cases the old political privileges

were transformed into economic power and the new capitalist class had close connections to political power (Staniszki, 1991; Róna-Tas and Böröcz, 2000; Szalai, 2001). This interdependence between the political and economic elites is not new, but a typical characteristic of lagging, periphery societies.

This interdependence is even more important during economic transition periods such as the post-1989 years. A new market is usually dominated by early starters, and in Eastern Europe the early starters were the actors who had information and connections right at the beginning of the market transition. This put these actors in the position to be ahead of the rest and access external resources (state development funds, EU funds or foreign direct capital) easier, perpetuating inequalities in business conditions. These dynamics were even more important at the local level where political positions or connections created opportunities for economic success, in many cases leading to closed elites.

The particular advantage of such interconnected economic and political agendas in the context of the growth machine is that the process that provides benefits for the elite is actually development as perceived by the local population. Examples of such projects are industrial investments, new residential areas and shopping centers (Kulcsár and Domokos, 2005). These all give the sense of growth and development (which no one opposes) and help to sell the political or economic agendas of the local elite, making the post-socialist growth machine more powerful than the original one.

Both the original and the Eastern European version of the growth machine grew out of the critical political economy school. The growth machine itself is considered as a tool which creates inequalities and distributes benefits in a very uneven fashion. However, this concept has only been applied to urban areas, and large cities in particular, assuming that the possible economic benefits are much less significant in rural areas. Thus, the growth machine is an inherently urban phenomenon. Yet, the same political dynamics could operate in resource poor rural areas where the concentration of political and economic power can be an even more crucial determinant of community development.

Building on the post-socialist elaboration of the original concept made by Kulcsár and Domokos (2005) and Drahokoupil (2008) shifts the emphasis toward the political nature of elite formation and allows us to examine the growth machine phenomenon in a non-urban setting. This study aims to investigate how economic growth and local elite formation occurred in rural communities in Bulgaria. This is also an opportunity to consider if certain level of resource concentration is actually necessary for a disadvantaged community to start a growth trajectory.

In this paper we examine the case of Dve Mogili. In this municipality we found cooperation between the political and business elite. In itself it is not a surprise, as the growth machine thesis argues for such interrelated interests. In Dve Mogili however, this collaboration successfully promotes local development, and might serve as examples for other places as well.

FINDINGS

A survey in 2009 has investigated the growth of a rural case study site in North Central Bulgaria – the municipality of Dve Mogili (**DM**), which is a part of Ruse Region, close to Danube River. The total area of DM municipality is 345 sq.km, the population is about 10 000 people. According to the *Plan for Development of Dve Mogili Municipality Council 2007-2013* almost half of the population lives in the city of Dve Mogili, while the rest is scattered in 11 other villages. Since the beginning of the transition period the population has been in constant decline with about 200 people per year. The ethnic structure is 58% Bulgarians, 27% Turks and 15% Gypsies. The traditional occupation in the area is agricultural and forest activities, which is still one major sector in the municipality. According to the plan for development of the municipality another major sector is the light industry – food production, tobacco, textile and apparel. These two

sectors form over 70% from the Gross Production of the municipality and they provide over 60% of the local employment.

The municipality plan has identified other possible sectors for development, such as tourism and renewable energy sources. Preconditions for their development are the infrastructural improvement of nature attractions in the Dve Mogili Municipality area, as



Figure 1. Municipality of Dve Mogili in the area of Ruse Region, Bulgaria

well the utilization of huge amount of waste biomass, which is suitable for fuel production. These activities are encouraged by the Rural Areas Development Program 2007-2013, by providing national funds as co-financing (up to 70%) to firms in these sectors.

After 1990, the local economic and political elites of Dve Mogili (**DM**) Municipality have faced a variety of challenges in regional development including rapid population aging, high unemployment and the collapse of the non-agricultural firms. Similarly to other municipalities, one central issue was whether the local political structure from state socialism could be successfully transformed to fit to the new market economy and benefit the municipality. This survey has found a good model of success, which could be followed by other rural and even urban municipalities.

In 2009, in a period of elections EU Parliament, but also for BG Parliament the DM local political elite (the opposition and the ruling ones) has shown unusual level of responsibility to the community development. Most of the local politicians have been former members of the Bulgarian Communist Party, because this membership was an obligation during the socialist era. The interviews with them have outlined a good practice for successful regional development, as summarized below

First, all local politicians used their political skills, gained during both the socialist and the transition period to successfully lobby at the Bulgarian Government and National Parliament and to attract proper attention and funds to contribute to DM development. This process could be successful because the transition period has been a filter for the local politicians. In the past years, the political elite consist mostly of representatives, who put the community development as a major goal. As a result, political conflicts and arrogance has been declared as an unacceptable way for local development. The DM Mayor and DM Municipality Council are from different political parties, but they have managed to achieve consensus on all issues that affect the rural development. In contrast, some surrounding areas decline and their mayors and municipality councils are in constant public and non-public conflicts. All DM problems are first, discussed in small groups with representatives of every party to reach agreements, then, these agreements are introduced to the DM Municipality Council to approve them and to put them into action.

The political elite in DM put the personal responsibility of the politicians before the political responsibilities for the political parties. Therefore in the 2007 local elections the campaign was about personalities, and not political parties. While the DM Municipal Council is rather diverse based on political views, it is quite coherent to acknowledge "responsibility" for the community. In many places, the chairman of the Municipal Council and the Mayor are in conflict, trying to show the people who the real leader is. But this is not the case in DM municipality. The Chairman and the Mayor are from different parties. The Chairman is also a lawyer (also, an ex-military officer from the air forces) and he is quite familiar with the normative acts. Thus, he puts the rule of law in the first place, and since the Mayor and the Municipal Council strictly follows the legislation, the conflict points

are very few. As an interesting result, the DM Mayor and the DM Chairman are sitting together during the regional and national meetings, while the majority of the Mayors and Chairmen are sitting separately. Such political responsibility is crucial in determining the success of the various proposed projects and developments such as agricultural modernization, solar energy production, and modern golf courses.

Second, the DM Mayor and many of the DM Municipality Council members are businessmen. Thus the fusion of the local political and business elite leaves little room for career politicians. The economic and the political elites work together on local development issues. Their decisions are not short term political (which happens in other municipalities), but strategically orientated and sustainable in the time, because they search for long time economic, demographic and nature-protection effects. The investment in local development is not only financial or political, but probably emotional as well, as the local elite is strongly attached to the place. Also, the Plan for Development of DM Municipality has been developed by the DM political elite in dialog with the economic elite. The businessmen in the Municipality Council made sure that the economic part of this Plan is realistic.

One particular example for the successful fundraising resulted from the above mentioned fusion of political and business elites is a pellet producing operation. This business has been encouraged by the local political leadership to apply for funds. The municipality provided expertise in raising funds and cooperated in the necessary paperwork, but this was essentially a private fundraising operation. Then, when the pellet production was on its way, the municipality from now on is able to apply for funds to replace the old heating equipment in public buildings with ones that use pellets, successfully creating a local market, and indirectly generating local tax revenues from the pellet operation. This is a clear example how collaboration between the private and public sectors may lead to successful fundraising and long term benefits.

Third, the local administration realized the importance of being more self-dependent from the central government, and has developed the proper capacity to apply to public funds. Thus the revenues of the municipality are not only from the national budget, but from other sources, too. The political environment in DM discourages social or political exclusion: the motto is "If one wins, then all win, too". The locals argue that their development must be a result mostly of their local efforts for improvements, and not of resource transfer from the central government, the classic example of the "bottom-up" approach for development.

Yet, still about 80% of the revenues of the Municipality budget comes from the national budget. The DM political elite are engaged to keep this money, but even more importantly, increase the amount obtained by applying for funds in Bulgaria and abroad. The first results are rather optimistic and therefore the political and economic elites plan to increase this financial flow with 30% every year. It is an expansion policy where both the economic and political elites have the proper capacity to execute their role. The major directions for public fundraising are social infrastructure, transport infrastructure, and waste management. In addition these funds are planned to support the changing economic structure, including investments in tourism and renewable energy sources.

CONCLUSION

For the first sight, Dve Mogili exhibits the classic characteristic of the growth machine: the close ties between the political and business elite. In most resource scarce environments, such ties are necessary for individual success. However, the growth machine in DM is based on mutual collaboration and consensus. Both the economic and political elite initiate regional development. Members of the political elite are very engaged in the wellbeing of the local business. On the other hand, local business supports this productive political environment. This is a good example for a working growth coalition in rural areas, as the actors all understood that *development is a result of agreement*,

support and matching individual and commune goals. All universities teach this, but there are few places where it can be seen in action, one of them is Dve Mogili, Bulgaria.

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