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Social capital, regional governance and economic performance of rural areas - concept and empirical evidence from case studies in East and West Germany

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**Social Capital, Regional Governance and Economic Performance of Rural Areas -
Concept and Empirical Evidence from Case Studies in East and West Germany**

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Abstract

This paper is mainly focussed on the relationships between social capital and governance at the regional level from a conceptual and empirical point of view. Complementary to the well-known concept of social capital the term “regional governance” is used in the sense of weakly institutionalised and network-oriented modes of co-operation between political and economic actors at the regional level to achieve common goals. The properties of the concept will be discussed in relation to other "soft" and “traditional” location factors of rural economic development. The approach is developed on the basis of empirical findings drawn from a number of pair-wise comparisons of differing rural areas in terms of economic performance. The results of the case study analysis are referring to selected rural areas in the eastern and western parts of Germany. The data are derived from computerised network analysis, which have been elaborated as the German part of an EU-funded research project regarding dynamics of rural areas (DORA). Differing location conditions and socio-economic contexts are taken into account. Furthermore, expert interviews with local/regional actors as well as findings derived from postal business surveys serve as information bases for the investigation.

From the pair-wise comparison of study areas in the two regions and their contextual properties in the western and eastern parts of Germany the following conclusion can be derived: existing regional differences regarding the quality of regional governance in combination with the amount of social capital can contribute considerably to the explanation of differing development paths under similar context conditions. Therefore, the structural elements of governance at the regional and local levels of decision making should be more strongly taken into account for policy design and impact assessment of rural development programmes.

1. Introduction

In this paper the role of social capital and regional governance will be determined in qualitative and quantitative terms and in relation to other “soft” factors of rural economic development. The investigation is primarily based on selected results of case study analysis drawn from a European comparative study that is intended to explain the reasons for differential economic performance (DEP) in rural areas of four member states of the European Union. The emphasis of this presentation is oriented to the importance of so-called “soft” location factors explaining differences of economic competitiveness between localities and regions, in particular social capital and networks, regional governance and community organisation as well as institutional co-operation and their interaction with more traditional factors of locations like real assets, natural and human resources, and public infrastructure facilities. It begins with a brief overview of the conception, definition and meaning of the terms ‘regional governance’ and ‘social capital’ in relation to ‘networks’ followed by a short presentation of characteristics of the EU research project on the dynamics of rural areas (DORA) (see for the conception, main findings and conclusions of the international comparison BRYDEN 2002). The main part of this paper focus on empirical results regarding the peculiarities and relations of ‘regional governance’ and ‘social capital’, supplemented by conclusions based on the case study analysis in the German part of the project (SCHRADER et. al. 2001).

2. Conception of regional governance and social capital

The term ‘governance’ comprises a continuous process, in which controversial and diverging interests are balanced by initiating co-operative actions. Regional governance in this sense defines “weakly institutionalised, network-oriented modes of co-operation between regional actors to achieve common goals of regional development” (FÜRST 2001). While a growing number of publications can be observed in the wider fields of global governance (macro-level) and corporate governance (micro-level), one can state, that “the scientific discussion on proficiency and coherence of regional governance is still in its infancy (FIRST 2001). Based on theoretical approaches like milieu-theory and institutional economics, the role and contribution of regional governance and network-related co-operation to regional development forms a challenge for conceptual as well

as empirical research efforts. 'Regional governance' or in a similar meaning 'community governance' (BOWLES; GINTIS 2002) constitutes together with networks and social capital a triangle of social interaction, which determines in combination with markets and state regulations economic outcomes of a region.

Since more than two decades an increasing number of studies emphasised the importance of social capital and the role of local actor networks in explaining the economic competitiveness of locations (WALL; FERRAZZI; SCHREYER 1998). One famous example is given by Putnam's study of regional governance in Italy, where strong traditions of civic engagement, club membership etc. indicate a large stock of local 'social capital' embodied by trust, norms and networks as preconditions for an economic success of a region (PUTNAM 1993). In general terms, social capital is defined as "the aggregation of potential benefits, advantages and preferential treatments resulting from one person or group's sympathy and sense of obligation toward another person or group" (KROON et. al. 2002). Two processes form the development of social capital via collaboration between people: collaborative learning and communication. In contrast to financial and material capital, social capital can be increased but not depreciated by usage.

Three different levels exists, in which social capital can affect economic development in an area via communication and co-operation: First, networks between entrepreneurs from in-side and out-side the area influence the diffusion of innovation and know-how and can lead to vertical and horizontal forms of co-operation. Such informal networks are more likely to develop, the higher the social capital between the entrepreneurs. The theory known as 'innovative milieu' recognises and develops this relationship (CAMAGNI et al. 1991). Second, communication between entrepreneurs and political decision makers can contribute to economic development, when the needs of the business sector can more easily enter local decision-making processes, and synergy effects between the public and private sector can be more readily used. Third, communication and co-ordination between actors in the public administration can improve local development by fostering efficient local and regional governance, and thereby facilitating the quick provision of infrastructure.

There are different ways of how to examine social capital in an area. Beside the interview statements of local actors, statistical indices can be used in order to measure social

capital in the population of an areas. However, such indicators pose problems regarding their reliability and should not be used uncritically (LEVI 1996). Usually, larger household sizes and more widespread membership in clubs and associations indicate a lower degree of individualisation and a higher degree of social capital in a successful compared to a less successful region. Whereas such indicators attempt to measure the amount of social capital among the total population inside an area, it is also possible to examine social capital within a certain group of people in more detail by empirical network analysis. The network analysis allows to analyse the structure of networks among decision makers, administration authorities, businessmen and other local actors of an area as it is demonstrated below in the case study analysis. Local/regional networks have an ambiguous relationship with economic success of places or regions. In a given area, where actor networks appear to be more open, integrative and informal, and not associated 'closed circles' and 'cliques', and particularly in cases, where networks are established on the base of voluntary and 'private contacts', the flow of information and communication between policy-makers and actors of the business world will be improved. This can result in lower transaction costs, innovative actions, better provision with public goods and services and economic success. In this sense we suggest, that well functioning local actor networks are a precondition for good governance as well as a higher level of social capital and a better performance of an area. This hypothesis will be tested in the following sections.

3. Characteristics of the DORA project

The DORA research project aimed at explaining differential economic performance (DEP) amongst sixteen rural case studies in four EU countries. It was conducted as a case study approach on the basis of statistical results derived from the preceding project RUREMPLO which was designed as an econometric investigation of employment in several leading and lagging rural areas of the EU (TERLUIN; POST 1999). The DORA concept applied a multiple methodological analysis by combining secondary data from public records with in-depth qualitative data based on structured interviews of local actors and business surveys using an inter-disciplinary research strategy (COURTNEY et. al. 2001). Interviews were conducted with a sample of thirty to forty local decision-makers, administration authorities, businessmen and other actors, depending on the size of the study area. In the German part of the project, data from a computerised network

analysis have been incorporated into the pair-wise comparisons of rural areas with differential economic performance. The central research hypothesis of the DORA approach is that the differential development of rural areas can be explained by a combined set of ‘tangible’ and ‘less tangible’ factors, which interact in particular national, regional and local contexts. Five tangible factors concerning DEP have been identified: Natural and Human Resources, Infrastructure, Investments and Economic Structures, in addition to five less tangible factors: Market Performance, Institutions, Networks, Community and Quality of Life. Quantitative as well as qualitative information have been integrated by specific variables and research questions to exploring the reasons for DEP and the inter-dependencies between the factors (COURTNEY et. al. 2001). Particularly, several information and data related to the above named factors Institutions, Community and Networks have been drawn from the German part of the DORA study for the presentation of results in this paper.

4. Historical background and context of the German study regions

As a result of opposed political systems in the post-war history the two selected regions for investigation, Niedersachsen and Mecklenburg-Vorpommern, have developed different economic properties: Niedersachsen has participated in the restructuring of the west German economy under market conditions and European integration. As a result, a mature and diversified regional economy evolved, with strongholds of manufacturing industries next to rural regions which have gradually industrialised. Mecklenburg-Vorpommern, being traditionally a rural and sparsely populated area, has preserved its remoteness under socialist production modes. The main task of the region was to ensure the food supply of the former GDR, and only a few manufacturing industries were located there, e.g. shipyards and food processing (for details see SCHRADER, 2002).

In addition to the economic characteristics, social settings in the two regions are very different as well: In Niedersachsen, we find a more diverse mix of attitudes, lifestyles, beliefs and identities. In Mecklenburg-Vorpommern, mentalities, values and attitudes are quite similar, and religion is generally not relevant in daily life. Due to the contrasting post-war history, Niedersachsen in the West and Mecklenburg-Vorpommern in the East are difficult to compare. Accordingly, the explanatory variables which have been identified to explain differential performance between study areas in the regions are supposed to be strikingly different.

5. Empirical results related to regional governance

In this chapter we analyse the preconditions and specifications of regional governance in the study areas. We start with some results from interviews with local actors in the west, followed by a demonstration of corresponding findings in the east of Germany. Aspects of preconditions focus on local identity, mentality community organisation and perception of actors, whereas the specification of regional differences of governance is concentrated on observable forms of institutional co-operation in the regions. The analysis of networks and social capital follows the same procedure in the next chapter.

Local identity and community organisation in the study areas of Niedersachsen

Overall, community life in the well-performing study area of Emsland appears to be composed homogenous: people generally share similar values, beliefs, norms and political attitudes. In contrast, in the less-well-performing area of Luechow-Dannenberg parochial thinking, local selfishness of the communities and a certain north-south divide segment the county. An ideological fragmentation around nuclear waste storage dominates public life, the political process and community affairs (Tab. 1).

Tab. 1: Local identity, mentality and community organisation (Interviews)

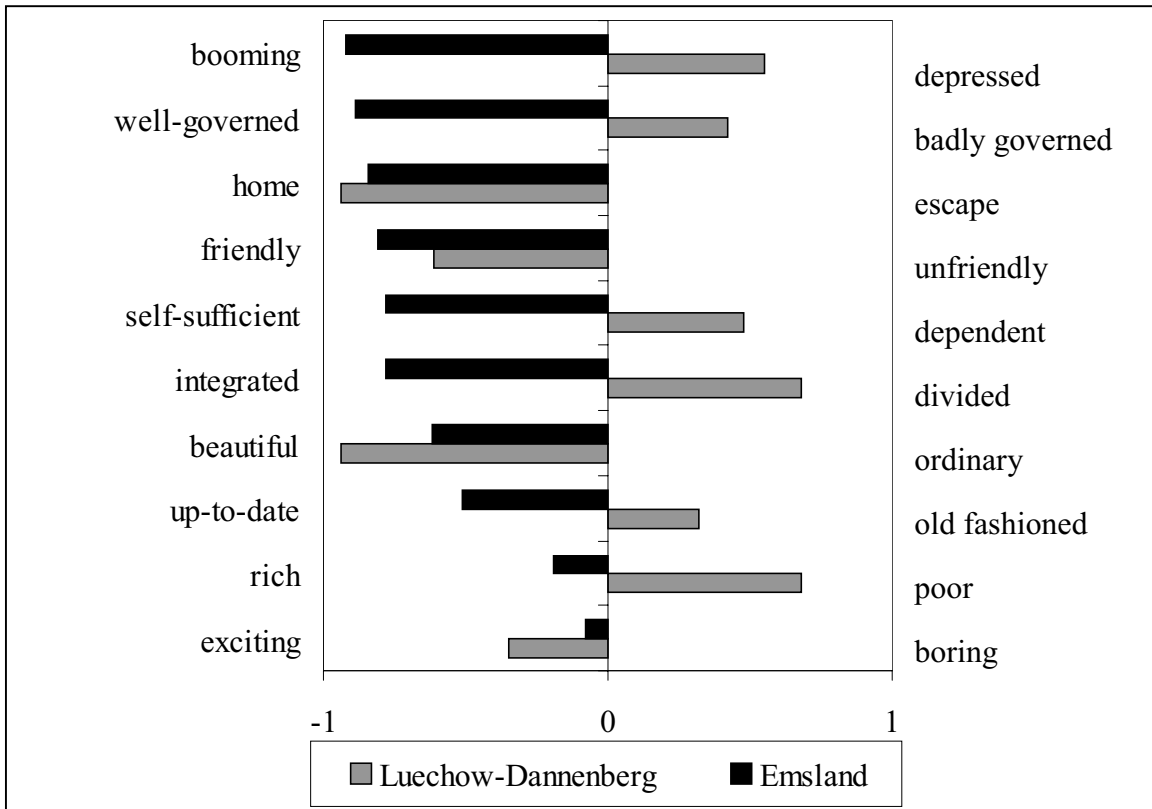
	Emsland	Luechow-Dannenberg
Local identity	<ul style="list-style-type: none"> • Homogenous local identity • Awareness of common poverty in the past and pride on economic catch-up process • German immigrants after World War II integrated well and added to human capital 	<ul style="list-style-type: none"> • Heterogeneous identities • Nuclear power opponents moved into area and integrated only partially • North-south dualism of the county
Mentality	<ul style="list-style-type: none"> • down to earth, modest, calm • hard working, thrifty • reliable • ambitious 	<ul style="list-style-type: none"> • Scepticism towards modernisation • insubordinate • lethargic, observant
Community organisation	<ul style="list-style-type: none"> • Hierarchical organised local action groups • Political stability 	<ul style="list-style-type: none"> • Ideological division of local initiatives, groupings alongside political frontlines • Political instability and Parochial thinking

Source: Own survey

In the interview questionnaire about the perception of the area by local actors , slightly more interviewees from Luechow-Danneberg than from Emsland describe their county

as “home” and “beautiful”. Overall however, interviewees from Emsland valued their county clearly more positively than interviewees from Luechow-Dannenberg. The local actors in Emsland particularly labelled their area as “booming”, “well-governed”, “friendly”, “integrated” and “up-to-date” (Fig. 1).

Fig. 1: Perception of the study area by local actors in Niedersachsen (Interviews)



Source: Own survey

The political situation in Emsland is characterised by strong support for the local decision makers and a remarkable stability over time. The Catholic faith serves as means of local identity and distinctness towards neighbouring regions. According to the interviews, in Emsland there are particularly strong but informal ties within families and neighbourhoods. The area features relatively large family sizes, a very high fertility rate and a high number of marriages. In Luechow-Dannenberg, there is a higher degree of individualisation in the local population, with relatively more single households and weaker ties in the neighbourhoods. Engagement in public and politic life is particularly strong in environmentalist movements.

Local identity and community organisation in Mecklenburg-Vorpommern

Both study areas are composed of different regional entities and therefore lack a pronounced common identity. In particular in the well-performing area of Ludwigslust, there is a pronounced rivalry between the former independent part in the west and the eastern part of the county. Furthermore, the history and mentality differs between the two old counties: With regard to the community organisation, interview results indicate a more transparent policy style in the count administration of Ludwigslust compared to Uecker-Randow, which is supported by a central authority in the county administration (Tab. 2).

Tab. 2: Local identity, mentality and community organisation (Interviews)

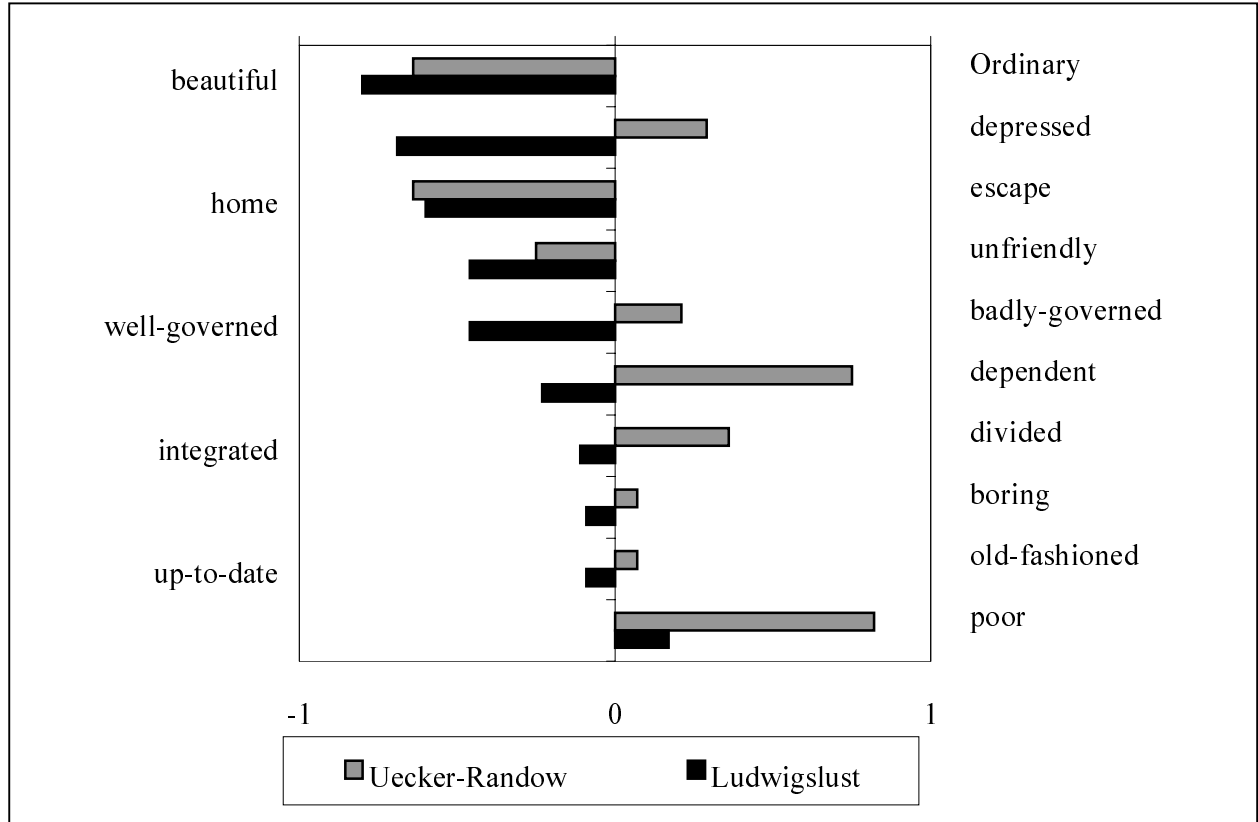
	Ludwigslust	Uecker-Randow
Local identity	<ul style="list-style-type: none"> • Pronounced dualism between the two former counties ‘Hagenow’ and ‘Ludwigslust’ • Economic success helps to overcome the segmented local identity • Common identity based on the sub-region “Mecklenburg” 	<ul style="list-style-type: none"> • Heterogeneous identities, as county is composed of three former counties • Envy of the sub-region “Vorpommern” on the economic success of “Mecklenburg”
Mentality	<ul style="list-style-type: none"> • down to earth • reliable • calm, observant 	<ul style="list-style-type: none"> • down to earth, conservative • honest • observant, reluctant, passive
Community organisation	<ul style="list-style-type: none"> • One central actor from county administration in a prominent position • Policy of ‘transparency’ of county administration 	<ul style="list-style-type: none"> • One central actor, initially not from county administration

Source: Own survey

Interviewees in Ludwigslust associated their county with more positive terms in the interview questionnaire on perceptions of the study area. Local actors in Ludwigslust were well aware of the economic development dynamics of their county and ticked preponderantly the terms ‘booming’ and ‘self sufficient’. By contrast, the majority of interviewees in Uecker-Randow ticked the terms ‘depressed’ and ‘dependent’. Furthermore, interviewees in Uecker-Randow ticked preponderantly the term ‘divided’, while interviewees in Ludwigslust were indecisive. Unanimously, interviews in both

areas described their county as ‘home’, ‘beautiful’, rather ‘boring’ but ‘friendly’ (Fig. 2).

Fig. 2: Perception of the area by local actors in Mecklenburg-Vorpommern (Interviews)



Source: Own survey

Politically, attitudes are somewhat different between both areas, this pattern however is arguably be caused historically rather than by different values. Although many variables of community life are similar in both areas, as concerns identity, mentality, and religion, there are marked differences concerning the sentiments in the two areas. Due to the low unemployment, people in Ludwigslust are generally content with their own economic situation. By contrast, many interviewees in Uecker-Randow stressed that the social settings in the area are overshadowed by the massive unemployment and emigration, which reflects in widespread melancholy and a high share of alcoholics.

Institutional co-operation in the study areas of Niedersachsen

Both counties co-operate with adjacent areas. On the local level, there seems to be a lack of co-operation between communities in Luechow-Dannenberg, where parochial

thinking is predominant. By contrast, communities in Emsland appear to be held together by a high level of social coherence between the community leaders and a strong county administration (Tab. 3). Interviewees in Emsland often described the community governance as strong but ‘led with the golden lash’ by the county, which means that the county grants financial support for the different communities as long as they follow development goals of the county. Citizens of both counties were described as reluctant to participate in politics, unless an issue directly affects them personally or is ideological stamped. In Luechow-Dannenberg transparency of institutions differs between communities, and the role of local media was described by most interviewees as biased.

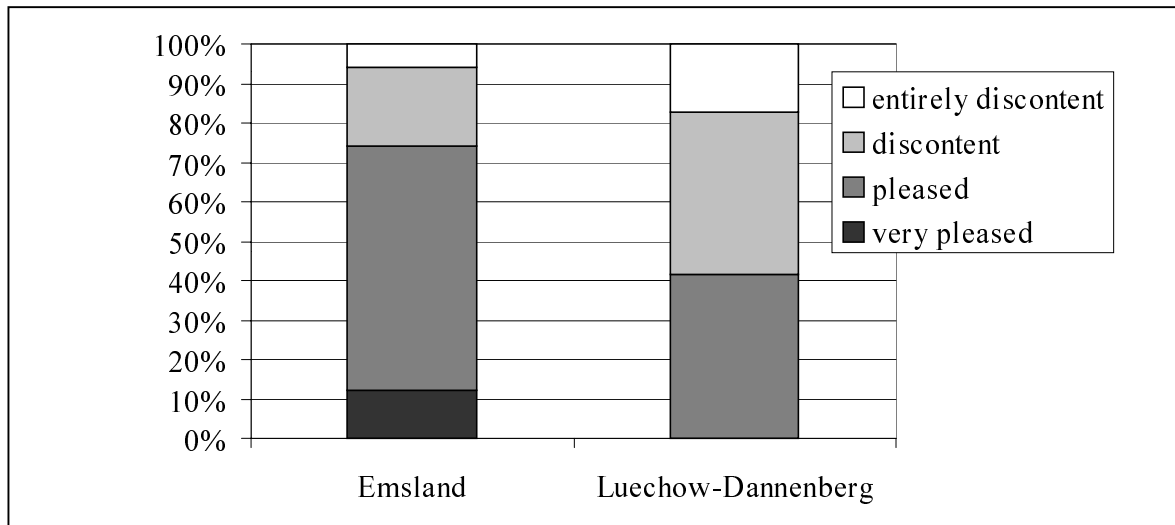
Tab. 3: Institutional co-operation in Niedersachsen (Interviews)

	Emsland	Luechow-Dannenberg
Cross-border co-operation	<ul style="list-style-type: none"> • Association of diverse institutions of Emsland with adjacent areas • Regional development initiative 	<ul style="list-style-type: none"> • Planning co-operation between Luechow-Dannenberg and two adjacent areas
Co-operation at county and community level	<ul style="list-style-type: none"> • Strong guidance by county director • Financial support by county for the communities in line with county objectives • Constructive competition between communities 	<ul style="list-style-type: none"> • Pronounced selfishness of communities, constant dispute over financial issues • Ideological and political fragmentation • Institutional dualism between north and south of the county
Citizen involvement	<ul style="list-style-type: none"> • Rather unemotional political engagement 	<ul style="list-style-type: none"> • Strong engagement in politically motivated initiatives

Source: Own survey

A wide majority of surveyed enterprises in Emsland stated that they were ‘satisfied’ or ‘very satisfied’ with the county administration’s openness towards business needs, whereas most of Luechow-Dannenberg’s surveyed enterprises were dissatisfied (Fig. 3). The relationship of the surveyed enterprises with the different institutions was generally rated more positively in Emsland than in Luechow-Dannenberg. Overall, interviewees in Emsland described their county as well-governed, while those in Luechow-Dannenberg characterised their county rather as badly-governed.

Fig. 3: Business survey in Niedersachsen: “How pleased are you with the openness of the county administration towards business needs?”



Source: Own survey

According to the interviewees, an actively stimulating county administration in Luechow-Dannenberg is obstructed by budgetary constraints in the form of a heavy debt burden and a high share of social welfare recipients. The administration has also high personnel costs. The institutions generally face antagonism of community leaders, local selfishness and political fragmentation. By contrast, the county administration in the well-performing Emsland has more budgetary freedom, less personnel costs, hence can govern more actively. Local actors in Emsland appear to be pulling in the same direction, there are good relationships between institutions and entrepreneurs, and institutional co-operation is better developed than in Luechow-Dannenberg.

Institutional co-operation in the study areas of Mecklenburg-Vorpommern

According to the interviews, in Ludwigslust there appears to be a high level of institutional co-operation as concerns the county administration. Most of the interviewed local actors commended the efficient county administration and the good contacts of the county to the community leaders and local institutions. In addition, co-operation with surrounding areas is organised more extended in Ludwigslust than in Uecker-Randow (Tab. 4). On the community level however prevails widespread parochial thinking and local selfishness. Furthermore, there is a pronounced dualism between the eastern and the western part of the county, and between the towns and the rural communities.

Tab. 4: Institutional co-operation in Mecklenburg-Vorpommern (Interviews)

	Ludwigslust	Uecker-Randow
Cross-border co-operation	<ul style="list-style-type: none"> • Consortium of seven counties along the natural reservation of the river Elbe • Co-operation in regional marketing for the larger area of Western Mecklenburg 	<ul style="list-style-type: none"> • First steps in planning co-operation with other counties for sustainable development of the surrounding areas • Set-up of planning co-operation with Polish border areas
Co-operation at county and community level	<ul style="list-style-type: none"> • Planning co-operation (Regional Development Concept) • Consortium for a sustainable development of settlement • Development concept for a lake-district 	

Source: Own survey

In Uecker-Randow there is marked selfishness and little co-operation among the communities. Contrary to Ludwigslust however, the county administration has not managed to counteract this local rivalry, and the relationship between communities and the county appears to be not as good as in Ludwigslust. The overall relationship of the business sector to local institutions seems to be similar in both study areas (Tab. 5). The entrepreneurs in Ludwigslust appear to have a better relationship to the county and community administrations, while in Uecker-Randow the business sector has a better relationship to the chamber of commerce.

Tab. 5: Business survey: Relationship of the business sector to local institutions

<i>“How would you characterise your relationship to...?” (in %)</i>	Very good	Good	Needs improvement	Bad	No contact
<i>... the local community</i>					
Ludwigslust	8	49	22	10	10
Uecker-Randow	9	44	27	18	2
<i>... county administration</i>					
Ludwigslust	8	49	22	10	10
Uecker-Randow	9	44	27	18	2
<i>... the employment office</i>					
Ludwigslust	14	57	10	6	14
Uecker-Randow	9	63	18	5	5
<i>... the chamber of commerce</i>					
Ludwigslust	2	56	22	12	8
Uecker-Randow	2	62	18	15	4

Source: Own survey

Due to a smaller amount of investments in the past, Uecker-Randow faces a more tense financial situation than Ludwigslust. Institutional co-operation across borders and between communities in general appears to be better in Ludwigslust, indicated by greater openness and efficiency of the county-administration. At the level of community however, there seems to be little co-operation in the less well-performing study area.

6. Empirical results related to networks and social capital

Inter-firm relationships and co-operation of businesses in Niedersachsen

Trust between people as economic actors is mentioned as the main basis to build social capital. The atmosphere of inter-firm relationships, based on trust between economic partners, and the degree of co-operation in the local business world appears to be better in the well-performing Emsland than in the less well-performing Luechow-Dannenberg (Tab. 6). This observation corresponds with the relationship between the business sector and public institutions. The named aspect will be demonstrated in the following by informal network structures of local actors.

Tab. 6: Trust and economic co-operation in Niedersachsen (Business survey)

<i>„How would you characterise the relationship between entrepreneurs in the area?“ (in %)</i>	Emsland	Luechow-Dannenberg
“Trusting”	3 %	3 %
“Good”	51 %	33 %
“demure”	40 %	47 %
“People hardly know each other”	24 %	17 %
<i>“Engagement in inter-firm co-operation inside the county” (in %)</i>	24 %	17 %

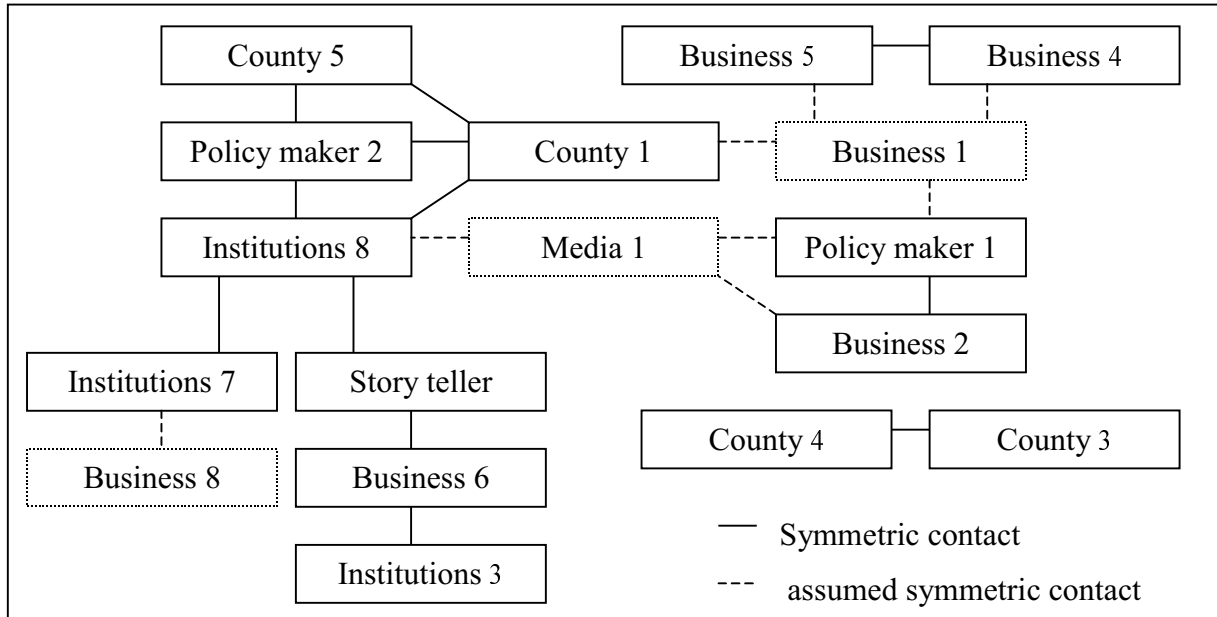
Source: Own survey

Network structure in study areas of Niedersachsen

The network analysis provides detailed information about the networks, the degree of collaboration and the pattern of social capital between local actors. Overall, the average numbers for professional contacts, as well as club memberships, private and direct links are higher in Luechow-Dannenberg than in Emsland. This indicates a higher density of the local actor networks in Luechow-Dannenberg. Especially relevant for the analysis of social capital (PUTNAM 1993) is the category “private contacts”.

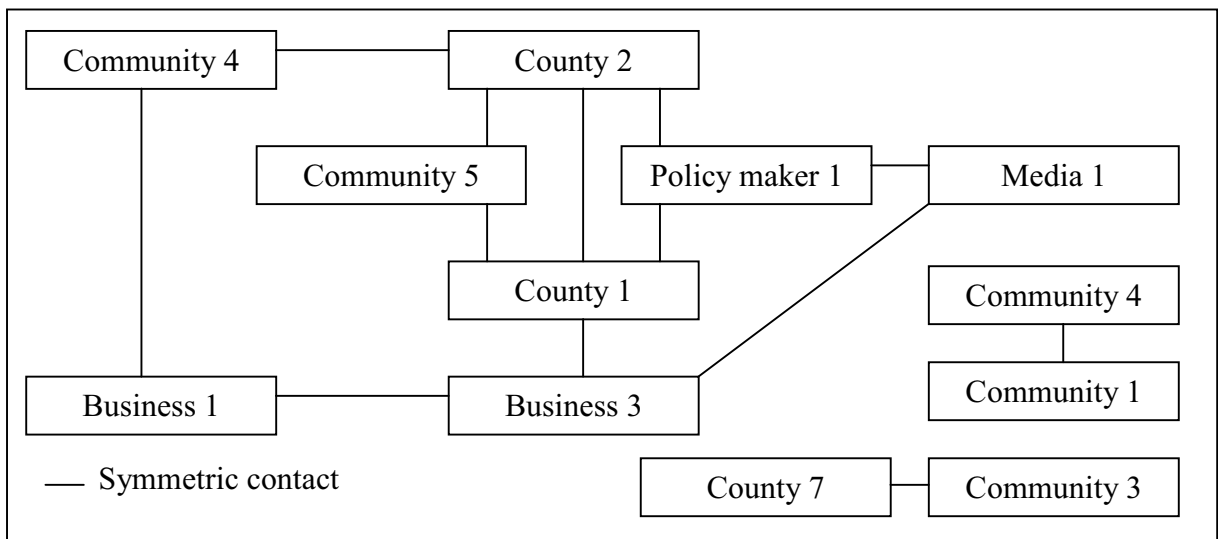
Figures 4 and 5 provide some clues about the structures of the local actor networks, as they illustrate ‘symmetric’ private contacts. ‘Symmetric’ contacts are those contacts which were confirmed by both sides. ‘Assumed symmetric’ contacts are shown in those cases, where a certain local actor could not be interviewed personally, but where the researchers conclude from interviews validated by phone calls that the contact to this actor is obviously symmetric. The figures show that in Luechow-Dannenberg the network structures are more horizontal and segmented, whereas in Emsland the local actor network is hierarchical, with one central circle around central actors from the county administration.

Fig. 4: Symmetric private contacts between local actors in Luechow-Dannenberg



Source: own survey

Fig. 5: Symmetric private contacts between local actors in Emsland



Source: own survey

The types of local networks and their quality differ considerably between the two study areas. In Luechow-Dannenberg, there is a dense sub-network of actors based on their common rejection of nuclear energy. However, this network is separated from other local actors. By contrast, in Emsland there is a broader network of local actors based on their profession, which seems to contain a considerable amount of social capital, and which arguably fosters local development processes. Furthermore, the atmosphere and

degree of co-operation in the local business world appears to be better in Emsland, and so is the relationship between the business sector and institutions. The local networking of entrepreneurs could embody a particular relevance for the creation and easy flow of innovations and new ideas, as well as for local value added chains inside the area (CAMAGNI 1991).

Relationships and co-operation of businesses in Mecklenburg-Vorpommern

The atmosphere of inter-firm relationships with regard to trust and degree of co-operation in the local business world appears to be only slightly better in the well-performing Ludwigslust than in the less well-performing Uecker-Randow (Tab. 7). The relationships between entrepreneurs seem to be roughly similar in both areas.

Tab. 7: Trust and economic co-operation in Mecklenb.-Vorpommern (Business survey)

<i>„How would you characterise the relationship between entrepreneurs in the area?“ (in %)</i>	Ludwigslust	Uecker-Randow
“Trusting”	2	0
“Good”	22	24
“demure”	59	64
“People hardly know each other”	16	13
<i>“Engagement in inter-firm co-operation inside the county” (in %)</i>	20	22

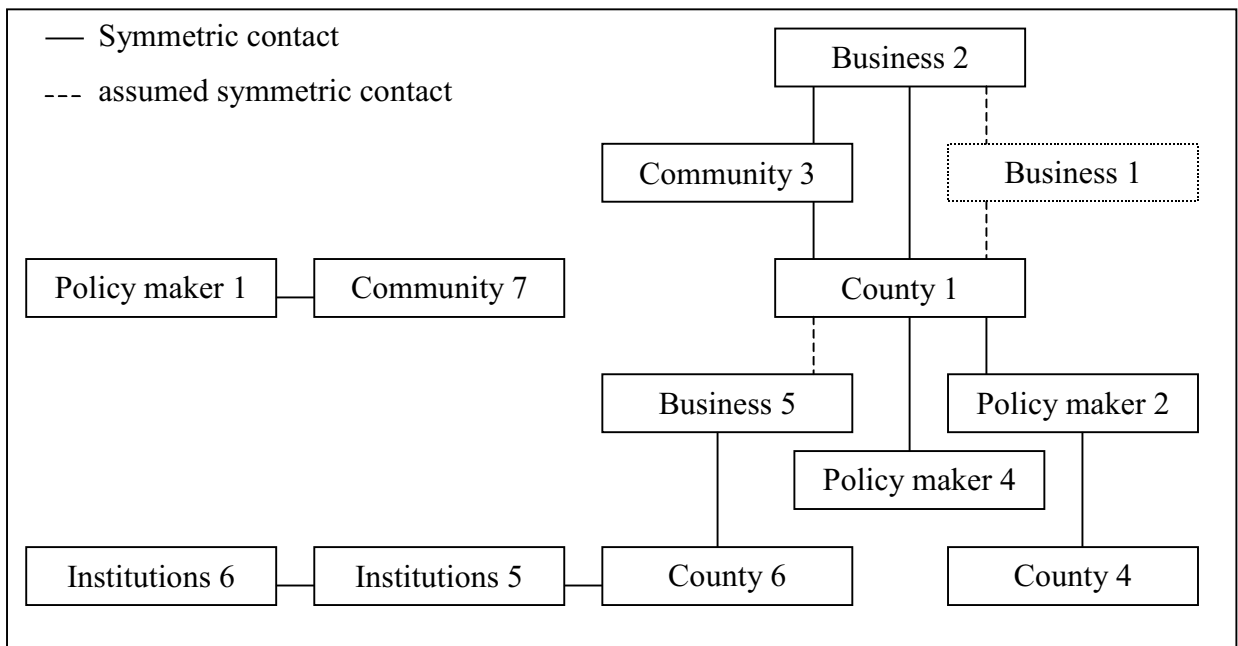
Source: Own survey

Network analysis in study areas of Mecklenburg-Vorpommern

In Ludwigslust, the ‘professional’ networks (‘professional contacts and ‘direct links’) have a particular high density. Furthermore, there is one central actor who has the highest values in all kinds of networks. The network of private contacts in Ludwigslust is predominantly horizontally structured, except the centre of the network, which is hierarchically structured (Figure 6 and 7).

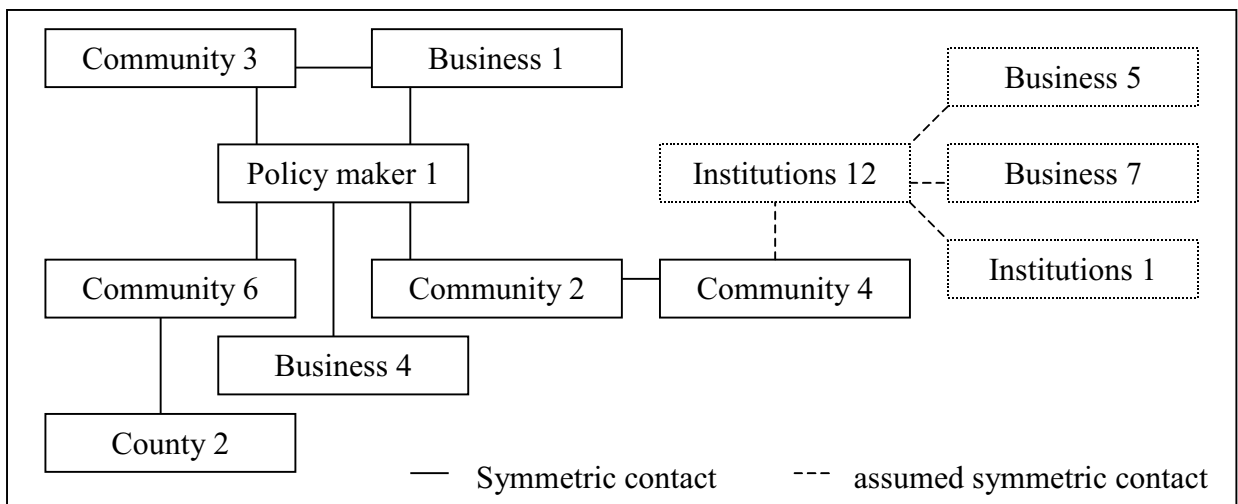
Contrary to Ludwigslust, no single person have been identified who has a particularly dominant position in the local actor networks in Uecker-Randow. Instead, different actors are the most central in different networks. Overall, the density of the networks is lower than in Ludwigslust. According to the interviews, networking and collaboration between policy makers and community leaders in both counties is obstructed by dualism between parts of the county or rivalry between communities.

Fig. 6: Symmetric private contacts between local actors in Ludwigslust



Source: own survey

Fig. 7: Symmetric private contacts between local actors in Uecker-Randow



Source: own survey

7. Comparison of results between West and East Germany

Regional Governance

Mentality, values, attitudes and beliefs are relatively similar between the two East German study areas, and very different between the two West German areas.

Interviewees characterised their areas similarly in the East and the West: predominantly as *'booming'*, *'self-sufficient'*, *'integrated'*, *'well governed'* in the leading areas, and *'divided'*, *'depressed'*, *'dependent'* and *'badly governed'* in the lagging areas. Local rivalry and parochial thinking turned out to be an impediment to development in all areas except the well-performing area in the West. Both lagging areas suffer from a tense financial situation, and interviewees stated their areas have deployed less influence on state policy than the leading areas. With regard to the county administration, the leading study areas exhibit a more efficient type of local governance. The impact on the difference of economic performance has arguably been limited in the East, and were seen to be more decisive in the West of Germany.

Networks and Social Capital

A better atmosphere and a higher degree of co-operation in the local business world were found in the well-performing area of the West. In the East, networking and collaboration between policy-makers and community leaders in both study areas is obstructed by dualism or rivalry between communities or parts of the county. Local actors from the county administration are positioned at the centre of the networks in the leading study areas of both regions. In the lagging areas, the networks are structured more horizontally. Social capital embodied in local actors networks is relevant for explaining differences of economic performance between the West German study areas, but less important in the East of Germany.

Ranking of factors for explaining economic development

Interviewees in the study areas have been asked to rank all explaining factors from (1=highest impact) to (10=lowest impact) to express the importance of the factor for economic performance in their area. The comparison of results from the ranking procedure illustrates major differences between regions in the west (Tab. 8) and the east (Tab. 9). In the West German study areas the factors "Community Organisation", "Institutional Co-operation", "Human Resources" and "Networks and Social Capital" proved to be the most decisive factors explaining differential economic performance. The factor "Infrastructure" has arguably been more important for Luechow-Dannenberg (through a pronounced remoteness of the area) than for Emsland. On the whole however, it is striking how much the relative importance of explanatory factors overlap between the two study areas.

Tab. 8: Importance of explanatory factors for differential economic performance between study areas in Niedersachsen* (results from interviews)

Rank	Emsland	Luechow-Dannenberg
1	Community Organisation (+)	Community Organisation (-)
2	Institutional Co-operation (+)	Institutional Co-operation (-)
3	Human Resources (+)	Infrastructure (-)
4	Networks and Social Capital (+)	Human Resources (-)
5	Infrastructure (+)	Networks and Social Capital (-)

* (+) = fostering economic development; (-) = constraining economic development

Depending on the geographic location in East Germany, “Infrastructure”, “Economic Structure” and “Human Resources” which fostered economic success in the well-performing area of Ludwigslust were the decisive bottlenecks for development in Uecker-Randow due to their lower quality levels. The factor “Investment” was probably more responsible for the economic success in Ludwigslust than in Uecker-Randow, where investment incentives had little effect due to the geographic remoteness. Overall however, a remarkable overlap of explanatory factors exists between the east German case study areas as well.

Tab. 9: Importance of explanatory factors for differential economic performance between study areas in Mecklenburg-Vorpommern* (results from interviews)

Rank	Ludwigslust	Uecker-Randow
	<i>Geographic Location (+)</i>	<i>Geographic Location (-)</i>
1	Infrastructure (+)	Infrastructure (-)
2	Economic Structure (+)	Economic Structure (-)
3	Human Resources (+)	Human Resources (-)
4	Investments (+)	Institutional Co-operation (-)
5	Institutional Co-operation (+)	Quality of Life (-)

* (+) = fostering economic development; (-) = constraining economic development

A major restriction of the case study approach is the fact that results can not be generalised. Both Niedersachsen in the West and Mecklenburg-Vorpommern in the East

are too diversified in their socio-economic features to expect the same set of factors explaining differential performance between areas.

8. Policy implications

Economic and political differentiation as the result of the divergent historical development of East and West Germany after separation in 1945 have played a decisive role for explaining differential performance of the study areas. Therefore, it appears reasonable to separate the policy implications for West Germany and East Germany. As far as social capital and regional governance is concerned, it is not yet clear whether and how these variables can be influenced by regional policy at all. However, the results indicate different social settings, which are basically caused by deep-rooted social and historical peculiarities of the study areas.

Overall, the lesson from the analysis of the West German study areas is that in ‘mature’ rural areas, the success of regional policy can depend very much on the locally prevailing social settings, the vibrancy of the local community, local governance and the active role of decision makers. However, the analysis also indicated that these variables appear difficult to be changed by political support programmes.

The East German experiences illustrate that a higher level of social capital, local actor networks and institutional co-operation at the local level may complement in future the improvement of economic performance and increase the efficiency of public funds for rural development. However, the ‘tangible’ factors appear to require priority in the programming of regional policy schemes for East Germany, at least for the analysed study areas. Finally, it needs to be stressed that the economic conditions in East Germany since the reunification in 1990 have been very specific, with the fast adoption of West German institutions and legal frameworks, massive transfers from West Germany, and hence a sudden rise in wage costs. Those conditions are hardly to be found or replicated elsewhere. Therefore, the above mentioned conclusions should not be generalised for implications regarding rural development in the newly assessing Central and East-European countries to the European Union.

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