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## FUNCTIONAL POLARIZATION OF POLAND'S NORTH-EASTERN SMALL TOWNS IN THE LIGHT OF R. CAMAGNI'S CONCEPT OF TERRITORIAL COMPETITIVENESS

Ewa Korcelli-Olejniczak<sup>1</sup>  • Filip Piotrowski<sup>1</sup>  • Maryana Melnyk<sup>2</sup> 

<sup>1</sup>Institute of Geography and Spatial Organization  
Polish Academy of Sciences  
Twarda 51/55, 00-818 Warsaw: Poland  
e-mails: [eko@twarda.pan.pl](mailto:eko@twarda.pan.pl) • [piotrowskif@twarda.pan.pl](mailto:piotrowskif@twarda.pan.pl) (corresponding author)

<sup>2</sup>Institute of Regional Research named after M. I. Dolishniy  
of NAS of Ukraine  
Kozelnytska 4 Str., 79026 Lviv: Ukraine  
e-mail: [mar.melnyk@gmail.com](mailto:mar.melnyk@gmail.com)

### Abstract

Small towns' functions are exposed to pressure stemming from globalization and metropolitan development. In North-East Poland, the study area, they are at the same time affected by the restructuring of rural economy. As in other peripheral regions in Europe, they are subject to de-population trends. The analysis of socioeconomic functions performed by small towns reveals functional polarization – a division line between local service centers and those towns additionally performing specialized functions. Whereas some towns succeed in sustaining, or attracting, often niche type industrial and service activities, others remain to rely upon the provision of private and public services for the surrounding rural places. By referring to R. Camagni's conceptualization of territorial competitiveness, the role of selected territorial capital components – local entrepreneurship, social capital and local leadership is identified in the observed development of socio-economic functions of supra-local market range. The findings reveal the focusing, by the successful local firms upon the specificity of market offer, its linking with local tradition, skills, and natural resources. On the conceptual side, at a town level, they indicate the importance of mutual interlocking of individual endogenous factors in the development and the sustenance of competitive functions.

### Key words

small towns • specialized functions • territorial competitiveness • peripheral region • North-East Poland

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### Introduction

Small towns' functions, studied intensely by geographers in the mid-twentieth century following the dissemination of Walter

Christaller's (1933) central place theory (Berry & Pred, 1961), were at that time perceived to be of local spatial extent. An exception were towns located at break-in-transportation points or in minerals extraction basins

– also those in areas of high recreational value. Seen from a multidisciplinary i.e. the metropolitan development perspective (Duncan et al., 1960; Hall, 1993, Lichtenberger, 1994), the varied roles of small towns are strongly intertwined with spatial accessibility to large cities (ESPON, 2008; Porsche et al., 2019). While a town's integration into a growing metropolitan area (Berry, 1960; Heffner & Marszał, 2007) or its location in a peri-urban zone (Piorr et al., 2011; Korcelli-Olejniczak, 2015) tends to be associated with certain specialized, industrial, or service (including residential) functions, a peripheral situation implies the role of local focus in rural space economy and urban-rural socioeconomic linkages (Heffner & Solga, 2006; Courtney et al. 2007, 2008; Van Leeuwen, 2010; Czarnecki, 2012). In rural areas affected by depopulation trends, the often encountered concentration of settlement network results in an erosion of small towns' functions, those of local service centers in particular (ESPON, 2012). At the same time, the performance of small towns finds rather limited interest in contemporary, the scholarly, as well as policy-related studies, one which is incommensurable with such places' actual role in the spatial organization at the local level and their share within the total population (Bell & Jayne, 2009; Servillo et al., 2016). These deficiencies may in some part be revised in the foreseeable future (Korcelli-Olejniczak, 2021; Copus, 2022), with a widespread acceptance of telework reflecting spatial consequences of the new biological hazards.

An area's peripheral situation is a feature relative to the role held by the center, or the core. This link typically assumes the bearing of dependence, as exposed in the core-periphery concept (Friedmann, 1972). Reference is made to spatial or non-spatial peripherality (Copus, 2001), the latter exemplified by intra-metropolitan peripheries (Kunzmann, 2008). The notion of peripheralization (Wirth et al., 2016) is conceived as a process, and possibly a reversible one as in case of J. Friedmann's classical approach, also, one that abstracts from static geographic location. North-East

Poland, also a part of the EU eastern periphery, here delineated so as to consist of Warmia-Mazury, Podlasie, as well as northern Mazovia, with their different history and geography, features numerous attributes of peripheral socio-economic region (Olechnicka, 2004). These include below-national average values of population density, urbanization level, road and railroad network development, GDP per capita and the share of service sector in total employment. Small towns are overrepresented among urban places. In some sub-areas, along the eastern border especially, rural as well as urban settlements have experienced a long-lasting depopulation trend, with persistent outmigration accompanying a more recent, general drop in fertility level and advanced population aging. Against the socioeconomic deficits stand the area's natural amenities with its variegated, post-glacial landscape terrain and land cover forms.

This paper focuses on specialized functions performed by small towns in a peripheral, predominantly rural region. The concepts of territorial competitiveness and territorial capital serve here as the main point of reference in interpreting the role played by those functions. They are identified with socioeconomic activities of supra-local range. R. Camagni's concept is applied in a qualitative, interpretive analysis of their sources, social preconditions in particular. The paper aims to contribute to contemporary small town studies by focusing on properties of specialized activities. It identifies the sources which make for the competitiveness of small towns as centers of such functions, as well as interrelations between, in particular, the endogenous development factors. The paper's specific objectives and the research questions are presented in Section 2 – they follow a comprehensive reflection on 'classic' and more recent approaches to, and understanding of specialized functions in different urban settings. In Section 3, the methodology of the analysis conducted is outlined and data sources are indicated. Section 4 constitutes the main analytical part in which the results of the study are presented, followed

by Section 5 – a discussion chapter, and Section 6, where final conclusions are drawn.

## Conceptual background

The notion of *specialized functions* has generally been used, as in towns' functional classifications (Smith, 1965), with regard to the role of selected activities among socioeconomic functions of individual towns. It also pertains to urban systems, where the specialized (or 'restricted') functions are performed by urban centers at higher levels of central place hierarchy (Lukermann, 1966), or are viewed as agents of inter-urban interactions, both vertical and horizontal within the settlement system's structure (Dziewoński, 1970; Bourne et al., 1984; Pumain, 2000). In his classic study on small urban centers in Minnesota, Webb (1959) wrote about the increasing specialization of towns with regard to the provision of goods and services as an effect of the integration process of urban societies. Today, at a more advanced level and a wider scale integration: "a series of urban socioeconomic specializations which can be divided between those whose presence is correlated with city size (as assumed in central place theory) and more specialized activities which emerge in a few cities only" (Bretagnolle & Pumain, 2010: 2821) is identified among basic emerging properties of urban systems. The formation and demise over time of the latter kind functions lead to growing functional differences among urban places.

These functions, the non-hierarchical links reaching beyond an urban center's hinterland are held by P.J. Taylor, M. Hoyler and R. Verbruggen (2010) to be responsible for what the authors refer to as the *city-ness* process, one based on the interlocking network development (Taylor & Derudder, 2003) and leading to growing complexity and expansion of urban economy. A small town can enter this process as long as it (in fact, its firms) is (are) able to generate network-type external relations, essential features of which include some mutuality – complementarity or co-operation (Polenske, 2004). In the case

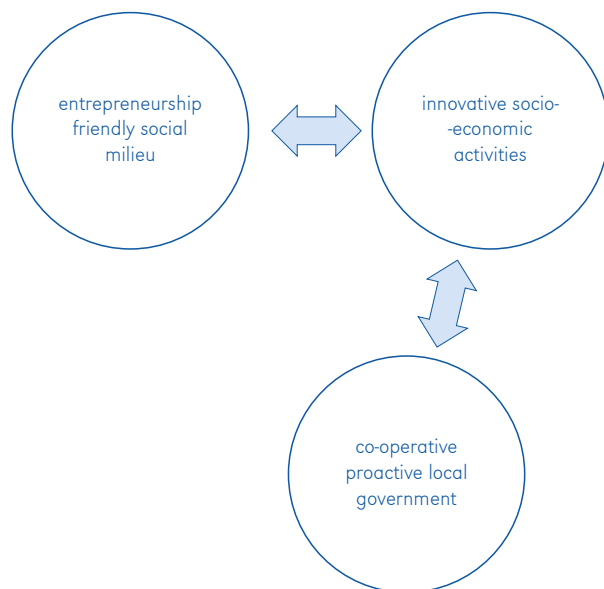
of peripheral areas, the specialized (also identified as *development*) functions are performed by some among small towns parallel to their local range central place functions (Blotevogel, 2005; Greiving & Flex, 2016), with the latter's role of *stabilizing* functional relationships, including rural-urban interaction at the base level of settlement system's hierarchy (Bengs & Zonnenveld, 2002). The specialized economic activities located in small, peripherally situated urban and rural places tend to break out of established hierarchical links in settlement systems. As documented for several European countries (Woods, 2013), firms oriented at international or distant national markets increasingly rely upon direct trade relations rather than those channeled through regional or metropolitan cities. This does not generally apply to small towns' local-range, central place functions in case of which, as phrased by N.A. Powe and T. Shaw (2004: 405): "the delivery of most services to rural residents has gravitated up the settlement hierarchy".

The competitiveness of cities and regions is a notion that has received considerable attention in urban and regional studies over the last decades (Lichtenberger, 1994; Porter, 1998; Gardiner et al., 2004; Kitson et al., 2004). In accord with the concept of territorial competitiveness and the related concept of territorial capital (Camagni, 2002, 2008; Camagni & Capello, 2013), the territory – a town or region which constitutes a local milieu for economic and social activities, provides competitive 'environmental' tools to individual firms. It plays an important role in the process of knowledge accumulation, the formation of interpretative codes, models of co-operation, and decision making. It also offers place-specific properties of the labor market, a particular social climate, and a mode of local governance. As emphasized by Roberto Camagni in his polemics with Paul Krugman (1996): "In a globalized economy, territories and not just firms increasingly find themselves in competition with each other. In fact, unlike in case of countries, cities and regions compete in the international

market for production factors, on the basis of the absolute advantage principle, and not of a comparative advantage principle" (Camagni, 2002: 2047). Under these conditions, the territorial capital including knowledge, innovativeness, social capital, management skills, the quality of public institutions, impact stronger than traditional location factors do upon the development of local economies. Low competitiveness of a place in longer-term leads to the outflow of mobile production factors – capital and labor. It also brings dependence upon cost-competitive external investments, migrants' remittances, and public social transfers. According to Camagni, who refers at this point to M. Porter (1996, 2001), sources of territorial competitiveness should be evaluated in a dynamic perspective. They should allow to recreate competitive advantages by generating incremental innovations. This is crucial in case of export-oriented activities, though still important also for those focusing on domestic markets, since in a globalized economy the latter as well are exposed to competitive pressure from

foreign firms. Such advantages to a decreasing degree stem from traditional location factors: "(in) a microeconomic and micro-territorial approach (they) are strategically created by the single firms, territorial synergies and co-operation capability enhanced by an imaginative and proactive public administration, externalities provided by local and national governments and the specificities built by a territorial culture (...) they are all artificial or created advantages" (Camagni, 2002: 2405).

Parallel to the territorial capital components, directions and development chances of a small town are related to its specific *territorial position*, i.e. spatial *cum* functional relations to other, including similar kind objects. In the metropolitan age, in spite of the growth of long-distance linkages, these relations are still strongly influenced by spatial accessibility measures – distance (travel time) to a large urban center, situation within the road networks, and the site peripherality at a national or regional level (ESPON, 2008). Unlike proponents of the *extended urbanization* concept



**Figure 1.** Small towns' dynamic territorial competitive framework

Source: Authors' elaboration based on R. Camagni (2002).

(Brenner & Schmid, 2014) who question the spatially enclosed nature of contemporary urban social relations, Storper and Scott (2016) point at continuing importance of proximity and density in facilitating human, including economic interactions in space.

As mentioned in the Introduction, the paper focuses on specialized functions performed by small towns in a peripheral rural region. The main objective is to identify conditions that support, and these that hinder small town's ability to attract, and to sustain specialized socioeconomic activities (also residential market functions of supra-local range), be these in private or public domain. By referring to R. Camagni's (2002, 2008) reinterpretation of the notion of territorial competitiveness, and his contribution to formulation of the concept of territorial capital, the paper aims to identify the importance of the latter's components in the development of specialized functions of selected small towns in North-Eastern Poland. Camagni's concept is specifically applied here to explain differences among the small towns' regarding specialized functions. It is assumed here that small town's dynamic competitiveness is related to specific attributes of the towns' specialized functions. The Authors pose the following main research questions: Which among the sources of territorial competitiveness as identified in Figure 1 are responsible for observed differences in functional profiles between individual small towns? Which factors have accounted for the maintenance of earlier, but in particular for the development of new specialized economic activities in some among the towns? What prospects can be attributed to small towns' supra-local functions when referring to the territorial competitiveness concept?

## Data and methods

A subset of 19 towns ranging in size between 3 and 10 thousand inhabitants as of 2002 (see: Appendix 1) were selected for the purpose of analysis. They represent an intermediate size group among the total number

of 87 small urban places with less than 20 thousand inhabitants in the study area. Owing to limitations of available statistical data, the study is based on primary data collected in the course of fieldwork. The first, pertaining to 'innovative socio-economic activities' and "co-operative proactive local government' as sources of territorial competitiveness (compare Fig. 1) is a questionnaire survey which forms, partly open-ended, were filled out between May and September 2018 in face-to-face contact with owners and managers of 55 enterprises (one to five per town) in manufacturing (45 establishments) as well as service branches, these oriented mainly to non-local markets. Following the criteria used by J.B. Webb (1959) in his analysis of small towns' specialized functions, omitted were firms in retail trade and the ubiquitous, mainly consumer services. Lacking the feasibility to cover the full set of relevant firms, or a statistically representative sample, the selection was based on indications by the local interviewees, in addition to general information sources. Concerning firms' size, the choice was restricted to these having at least five regular employees. The survey (refusal rate was below 20 percent) has provided data on each of the 19 towns included in the study. The second survey, relating to all three components of the framework, including social milieu (Fig. 1), are 120 semi-structured in-depth interviews carried out between March and September 2017 - five to seven per individual town, with representatives of local government (town mayors or their deputies), school principals and teachers, local NGO leaders, catholic and orthodox priests, managers of local cultural and medical centers. The interview forms were differentiated, with their scope adjusted to the competencies of individual respondent categories. The common thematic block contained questions pertaining to (a) the magnitude, directions, economic and social correlates of outmigration, the estimated *de facto* number of town residents, changing demographic composition, inflow, and traits of new residents (motives of the move,

in particular), returns from domestic and foreign destinations<sup>1</sup>; (b) economic activity – labor market trends: skills, local employment, travel to work; changes in retail trade and services including in and out of town shopping trips; (c) residential market: housing construction, ownership, occupancy; (d) technical and social infrastructure, open public space; evaluation of local government policy and public investments. According to the research questions set, the contents analysis of the questionnaire survey focuses on (a) drawing a structural scheme of local business entities with supra-local range based on their feature-types, the latter identified prior to the analysis; (b) confronting the individual towns' functional profile on the basis of the firms' characteristics. Evidence is searched for to support the evaluation of quality of socio-economic activities and of local government service. The analysis of the interviews serves to interpret the standard of the territorial capital components at work, but also the role of the towns' population size, structure and mobility, so as to pinpoint the towns' stability and decline forces. Building upon the above, the analysis of the features and sources of specialized functions aims at assessing to what extent the general assumptions of Camagni's concept can be related to the region in question with all its specificity indicated.

The research approach applied follows a post-positivist perspective which assumes that the reality under study represents an objective fact, while being constructed by different subjects, in this case, the respondents. A complete picture can be revealed when its various aspects and dimensions are taken into account (Guba & Lincoln, 1994). Hence, the common block of introductory topics is included in the interview forms, followed by questions fitting the respondents' competencies, and an open part in which

their interests and opinions were to be accommodated. In the contents analysis of interview returns, the quantitative information and one concerning the facts have been separated from opinions held by individual respondents, as well as from these expressed in the form of generalized views of town's residents, or of some resident groups. The research approach selected implies the probability that the findings can be applied with reference to a case characterized by an analogous setting and characteristics. With reference to the former, in choosing the topics and interpreting the outcomes against the selected, established theoretical concepts we adhere to the stance held by Allen Scott and Michael Storper (2015), one labeled sometimes (Rickards et al., 2016: 1525) *the status quo* approach to understanding the urbanization phenomenon, including urban-rural relationships. While enumerating: "(...) crucial processes shaping the specifics of urbanization in different times and places (level of development; resource allocation rules; forms and levels of social stratification; cultural norms and traditions; authority and power)", these authors emphasize: "(...) the need to acknowledge diversity, but without falling into the sophism of particularism and thereby losing sight of the forces that affect all (...) places" (Storper & Scott, 2016: 1124). We refer here to the question of North-East Poland's representativeness as a case study area with regard to interpretation of peripherally situated small towns' functional trends and their underlying factors, the pertinence at broader spatial scale. Against the latter, the heritage of the postwar *state socialism* and of the subsequent post-socialist development period (Sykora & Bouzaurovski, 2012), of shifting international borders and the ensuing population movements, have put various marks upon the study area and the small towns it contains. Traces of the recent past are still revealed, and will likely continue to be carried through into the future. Hence, rather than reduced to illustrating a catching-up with the mainstream development trends, the findings below should be consid-

<sup>1</sup> These questions aimed at throwing more light on observed interrelations between the small towns' socioeconomic functions and population change in the situation of considerable undercounting of population migration in official demographic statistics.

ered so as to exemplify one among observed, sharing many common attributes yet in certain aspects different paths of small towns' functional change in Europe.

## Results

### Specialized business activity of supra-local range by firm and town

The reference of functions performed and their attributes based on survey returns and interviews with local stakeholders to the sources of territorial competitiveness (Fig. 1) allow to outline the general – aggregated structure of specialized business activity of supra-local range in towns selected. At the same time, the disaggregated questionnaire results and the contents of in-depth interviews unveil a picture of inter-town differences. The latter are related both to the genesis of the town's development potential in the period before 1990 and to the directions of its more recent evolution. Prior to the onset of systemic transformation period, a majority among the towns surveyed were combining industrial with local-range, trade and service functions. Since then, parallel to the closure of a number of manufacturing establishments some, especially milk processing plants, a characteristic feature in the study area, have continued operations within new ownership formulae, often as units of national-wide chains. Regarding service sector functions, the systemic transformation and subsequent restructuring in the agricultural sector brought the demise of numerous, state and co-operative owned producer service units which had provided technical, logistic and marketing support to local agricultural economy. At the same time, together with vigorous growth of private, mostly consumer services, new industrial facilities, some grown from local crafts workshops, other being effects of direct foreign investments, have shaped a new pattern of functional specialization, one reflecting the rules of globalized market economy.

Table 1, which presents aggregated for the towns subset summary results of the

questionnaire survey of firms, shows an anticipated concentration of market entrants in the early phase of transformation, i.e. before Poland's EU accession, with a high share of locally, mainly family owned among the new businesses. The numbers also indicate a large share of firms with both domestic and international market range (these are mostly in wood, furniture, food and metal branches), and a noticeable representation of product specificity and product quality as firm's marketing strategy, even though it is often of a 'mixed' form, with cost taken into account as well. Still, the cost-competitiveness approach which pertains in particular to labor is shown to account for the largest share among the firms surveyed. Questions concerning local labor markets, omitted from the table owing to their rapidly changing condition – a compound effect of the migratory outflow and economic growth following the 2008-2011 downturn, show as many as 62 percent of firms encountering problems in manpower recruiting (in parallel to the progressing production automation), including 16 percent reporting a shortage of skilled personnel. In addition to the firms which reported employing some foreign workers at the time of the survey, several other were considering this in near future, or had a prior experience in this respect.

As mentioned earlier, disaggregated questionnaire results (Tab. 2), supplemented by information from locally conducted interviews reveal substantial, in fact increasing over time functional differences between individual small towns within the subset. Firms characterized by a broad market range are by far unequally distributed among the towns covered. Some of the towns specialize in narrow, *niche* type industrial or service activities targeted for regional or national-wide market, other support their economic functions of local range with broader, tourism related activities. There are towns characterized by an overly weak economic base, yet with single, innovative small firms placing their custom-made products on the wide domestic market; in one among the towns

**Table 1.** Selected attributes of firms with supra-local market range

Feature-type of firm	Number of firms surveyed according to period of activity conducted			
	before 1990	1990-2003	since 2004	total
All firms	15	24	16	55
Ownership status				
• local, family-owned	7	15	8	30
• other domestic	8	6	6	20
• foreign owned	-	3	2	5
Market range				
• local/regional	3	4	2	9
• domestic (national wide)	4	5	4	13
• domestic and international	7	10	6	23
• mainly international	1	5	4	10
Material input sources				
• local and regional	5	3	5	13
• other domestic	4	10	6	20
• domestic and foreign	3	4	2	9
• mainly foreign	3	7	3	13
Marketing strategy				
• product specificity/quality	3	6	4	13
• mixed	5	8	5	18
• price competition	7	10	7	24
Role of local environmental resources				
• important	4	5	5	14
• Irrelevant	4	6	6	16
• No opinion	7	13	5	25
Employment size				
• below 10	-	2	5	7
• 10-49	4	10	4	18
• 50-99	2	4	3	9
• 100-199	7	6	4	17
• 200 and more	2	2	-	4
Foreign employees				
• all firms	6	2	5	13
Inter-firm co-operation				
• local or regional	5	14	6	25
• national-wide	3	5	4	12
• international	-	3	2	5
Role of local government				
• important	10	13	8	30
• irrelevant	2	-	1	3
• neutral or no opinion	6	10	6	22
Local government's business related attitude				
• positive	4	9	8	17
• negative	3	7	6	16
• neutral or no opinion	8	8	6	22

Source: Authors' elaboration based on questionnaire survey.



**Table 2.** Selected firms' attributes by individual towns

Town	Firms surveyed	Sectors	No. of foreign owned firms	No. of firms with international market range*	Market strategy quality/specificity	Mixed
Barczewo	2	glass/furniture	1	1	1	1
Biała Piska	1	logistics	-	-	-	-
Brańsk	5	misc. mfg./wood/food processing	-	1	1	2
Chorzele	1	food processing	-	1	-	1
Ciechanowiec	2	food processing	-	-	1	1
Czarna Białostocka	5	metal mfg./plastics/logistics	1	3	-	1
Dąbrowa Białostocka	2	wood processing	-	-	-	1
Górowo Iławeckie	3	metal mfg./food processing	-	-	2	1
Korsze	1	misc. mfg	-	-	-	-
Lidzbark	4	furniture/wood/textiles/hotel	-	2	-	1
Lubawa	4	furniture/misc. mfg	2	4	1	2
Myszyniec	3	food processing/catering	-	-	-	2
Olsztynek	3	food processing/plastics	-	-	1	1
Orneta	3	metal products/machinery sale/catering	-	1	-	1
Raciąż	3	food processing/plastics	1	1	1	1
Reszel	3	machinery/furniture/catering	-	2	2	1
Sejny	2	food processing/misc. mfg	-	1	-	1
Susz	6	furniture/food processing/chemicals	-	4	3	1
Szczuczyn	2	misc. services/catering	-	-	-	-

\* Firms with the major, and these reporting an increasing, though minor share of foreign market sales

Source: Authors' elaboration based on questionnaire survey.

the sole enterprise of the specialized kind was moving at the time of the survey to a larger urban place within the district. Even though in each small town some economic activities of supra-local market extent can be identified, they appear to be playing a secondary role among the functions performed in more than every other (in 11 out of 19) town. In these places, according to interviews' respondents, it is the municipal administration and public education that comprise jointly the largest local employer, whereas a considerable part of economically active residents commute to work, typically to the nearest middle-sized town, not infrequently also to a more distant urban centre of regional rank.

### Sources of territorial competitiveness in the light of interviews with local stakeholders and survey results

The inter-town differences are interpreted below by referring to the sources of territorial competitiveness (Fig. 1) which can be identified on the basis of the interviews with local stakeholders, supported by survey results.

#### Entrepreneurship friendly social environment

The above comprises the central, pivotal component. This is, how it is perceived by the interview respondents in Lubawa:

*'There is something in people here that makes them start, and then carry on some gainful activity, to be present on the market. They know how to earn money, take good care of their business and occupational skills. They are very much open to innovations'* (Resp. 1); *'Lubawa's inhabitants have traditionally been industrious and diligent, working hard to attain their goals'* (Resp. 5). Local firm owners: *'(we) know each other from school or the playground, sustain the mutual, informal contacts'* (Firm 2). Such local attributes and their implications are referred to by the interviewees also in other towns: *'People in Kurpie are famous for their hardworking and the self-reliance'* (Myszyniec, Resp. 6); *'There are a number of active and ambitious people in the town'* (Resp. 4); *'People work hard here; many young persons start some business activity, these who return from the work abroad build their houses here'* (Susz, Resp. 4); *'Even if slowly, we will be developing'* (Resp. 2).

Elsewhere, local social climate, and sustained business traditions are emphasized by the interviewees: *'Olsztynek is a friendly place to live and work'* (Resp. 5); *'The region's hospitality traditions that have survived are the base for town's present-time specialized economic activities'* (Ciechanowiec, Resp. 5); *'Trade is our old specialty - the town was well known for its horse trading in the past'; 'Local entrepreneurship self-reactivated soon following the systemic change'* (Brańsk, Resp. 2). These, the local *milieu* properties, correspond with features of specialized socioeconomic functions performed by the individual towns. In Lubawa, they are responsible for the observed, growing over time embeddedness of the large foreign investor: *'IKEA, which arrived 27 years ago, has become a growth engine for the local firms, the handicraft workshops in the past. Now, they each employ several hundred workers'* (Resp. 2); *'The local enterprises co-operate with IKEA and fuel the local economy. There is collaboration rather than competition among the subcontractors'* (Resp. 5). *'We are entering into new projects, and developing all the time'* (Firm 1).

### Innovative socioeconomic activities

Whereas in Lubawa, the firms' innovativeness is in a sense taken for granted by the survey respondents, it resonates explicitly in case of Susz: *'We started by making outdoor furniture; now specialize in construction components, using a novel bending technology still not to be widely accepted by home builders and architects'* (Firm 5). *'Our firm offers custom-made products, for high-standard apartment houses, museums, courthouses - in Poland, Great Britain, Germany; the prototypes are prepared in co-operation with scientific research centres'* (Firm 6); *'We maintain a research lab; introduce new products each year, strive to be ahead of our competitors'* (Firm 4).

In Olsztynek, food processing industries: *'the town's biggest employer also in the past'* (Resp. 3), as well as smaller, family-owned firms which: *'continue the tradition going back to the 1960s'*, operate over extensive domestic (*'partly foreign as well'*) markets based upon:

*'the well-recognized trademarks and periodically renewed product offer'* (Firm 3). *'Sustained are the town's earlier important, tourist and recreation functions'* (Resp. 1). In Ciechanowiec: *'Eight large wedding halls, and several other in rural vicinity attract customers even from distant cities'* (Resp. 4); *'Once the first hall begun to prosper, the other soon followed'* (Resp. 2). In addition to the role of social capital factors, this *niche* type town's specialization is attributed to the specificity of local cuisine and food processing traditions: *'the taste, ingredients and freshness of our products'* (Firm 1); *'Based upon 110 years of flour milling experience, our products are shipped, among others, to Polish bakers and shops in Brussels'* (Firm 2).

Specialized, long-range service sector functions of Myszyniec have developed as an outcome of local, bottom-up initiatives: *'with a share of external funds, via collaboration with Mazovia Culture Center in Warsaw'* (Resp. 1), aiming at preservation of folk culture heritage in the historical Kurpie region: *'Popular*

events, the annual Honey Prospecting festival in particular, bring between 30 and 40 thousand visitors from all over the country' (Resp. 3). These cultural activities generate multiplier effects, by fostering the town's tourist movement related services (Firms 1 and 2, established in 2015 and 2012, respectively). Also local-range socioeconomic activities can be a sign of, even if dozing entrepreneurship: 'As I learn, we have the largest, of all towns below 10 thousand inhabitants in Poland, per person shopping space (Orneta, Resp. 1); 'we are planning to expand our tourist services by focusing on certain unique features of our place' (Resp. 5).

In the town of Brańsk, now specialized in manufacturing of memorial candles – 'a true candle producing basin, five separate establishments' (Firm 2), partly co-operating mutually: 'common source of imported basic material input, an effect of earlier cross-border trade contacts' (Firm 3), signs of domestic market saturation: 'the candle branch has its best period behind', have prompted a partial shift to exports: 'Croatia, Lithuania, Austria – some fifteen percent, with growing tendency' (Firm 1). 'There is a large number of other businesses; our local co-operative bank has taken over some ten bank units in surrounding municipalities, its services cover a wide area in the Podlasie region' (Resp. 2). In contrast to business life, however, a low level of social activity in the town is noted: 'Nothing can be done here, everyone waits for the mayor, or somebody else to come and make it ready' (Resp. 3). In other places, specialized functions represented by single innovative, small and medium scale industrial activities: 'metal building appliances – custom made for flagship sports and cultural edifices in Warsaw and Gdańsk (Górowo Iławeckie, Firm 2), or: 'wood piling machine tool; partly for exports' (Reszel, Firm 3), operate within social and economic environment which they evaluate to be non-supportive: 'the town's tourist potential is not utilized' (Resp. 1); 'a large number of young people have left, these who remain are not much active' (Resp. 5); 'Social activity is generally low; the active ones have

moved to larger centers; the dramatically ageing local society (Górowo Iławeckie, Resp. 2); 'Few workers available, these who come lack the skills (Firm 2); 'Problems with workers; they leave as soon as they gain skills on the job; vocational schools draw the less motivated ones' (Firm 3).

In towns where specialized activities are identified as primarily labor cost sensitive, their contribution to local socioeconomic development is seen to be limited: 'The major industrial firms offer jobs to less-skilled personnel mainly' (Raciąż, Resp. 7), and: 'pay wages which are non-attractive' (Resp. 1); hence: 'many commute to work to larger towns, even near Warsaw' (Resp. 6). In Czarna Białostocka, the export-orientated firms point out: 'the benefits of having local, semi-skilled workers for relatively low cost – the managerial staff come from the city of Białystok' (Firm 2); 'the availability of female labor' (Firm 4), as well as: 'the inexpensive land and building facilities' (Firm 6). In Lidzbark: 'the manufacturing firms pay wages not much higher than the official minimum'; (therefore): 'our residents find work out of the town' (Resp. 1). 'There are no work offers for people with higher education' (Resp. 6). As a consequence: 'these having educational aspirations are leaving, and the local creativity is lacking' (Raciąż, Resp. 1).

The missing of local entrepreneurial initiative is manifested in the awaiting for external forces to intervene: 'Here, little will change unless we get a major establishment – two to three hundred workplaces' (Dąbrowa Białostocka, Resp. 3); 'The large employers have left; when no new investors come, we will be a town of local retirees' (Korsze, Resp. 5); 'Even if work was available, there would be few to take it' (Biała Piska, Resp. 6). In several towns, the development of specialized economic activities is seen to be hampered by negative external preconditions: 'Our town has always been out of the main track, it requires to take a side route to reach it' (Orneta, Resp. 1); 'investors will not come as long as road access is so poor as here' (Górowo Iławeckie, Resp. 7); 'High transport

costs, problems with cargo for return hauls' (Sejny, Resp. 6).

### Co-operative proactive local government

The role of local government's performance, the third component of Camagni's *territorial competitiveness* framework, needs to be assessed by referring to two aspects: the efficiency – including pro-active approach, and co-operative attitude. With regard to both, Lubawa comes to the fore again: *'The idea of industrial district, beyond town's residential areas, was present in Lubawa as early as 30 years ago, and it unfolded with contribution made by the successive town's mayors'* (Resp. 3); *'Proper town management by local government, continuity in accomplishing the town's development plans are at the basis of its overall success'* (Resp. 5).

Regarding the second aspect, both approbatory and critical judgements from the perspective of firms surveyed are expressed: *'The local self-government authorities support us all the time'* (Lubawa, Firm 4); *'Positive, friendly local government's attitude'* (Orneta, Firm 3) *'We organize events for the residents jointly with local government'* (Myszyńiec, Firm 1); Conversely: *'No assistance, no tax reliefs'* (Brańsk, Firm 2); *'Little is done for the entrepreneurs'* (Górowo Iławeckie, Firm 3); *'Instable relations with local government'* (Czarna Białostocka, Firm 2); *'Local government non-cooperative'* (Lidzbark, Firm 4). In two among the small towns, local governments strive to attract new investors by offering tax-free, municipally-owned land equipped with appropriate technical infrastructure; *'We expect several industrial establishments to come, with one hundred work places at least, much more in co-operating units'* (Chorzelski, Resp. 1). Similarly in Szczuczyn, where: *'Twelve lots in our industrial zone are waiting, two are already utilized; when the zone succeeds, up to eight hundred will find employment here'* (Resp. 6). Whereas external, first of all industrial investments continue to be perceived as essentially the sole potential development platform by local stakeholders in the majority

of towns, the belief in real prospects for their procuring is generally subsiding. The same pertains to the effectiveness, except for transport accessibility, of traditional location factors. At the same time, under falling population numbers and shrinking share of these in working age: *'we need one thousand more people for the town to be alive'* (Sejny, Resp. 1), the growing competition for new residents between individual towns can be observed. In case of Szczuczyn, it is expressed by an open offer of residential building lots free of charge on municipal grounds. As concluded by the town's mayor: *'Tax allowances and advertisement campaigns no longer pull the new investors; one needs to improve the living conditions and care for the demography'* (Resp. 8).

### Interdependence of territorial competitiveness' sources

As the analysis of interviews and the firm's survey prove, the small towns subset under study reveals a rather deep differentiation with regard to the *territorial competitiveness* conditions (Fig. 1). Such a synergy driven three-tier linkage pattern, consisting of innovative firms, entrepreneurship friendly social climate and co-operative, proactive local administration can be found in Lubawa; at a smaller scale in Myszyńiec, Olsztynek and Susz, whereas it appears restricted to the first and the second component in Ciechanowiec and Brańsk. In Lidzbark, where the town's office proclaims the idea of: *'a place for the good life'*, managers of exports orientated industrial enterprises emphasize the role of local labor costs. Similarly, this pertains to Raciąż, and Czarna Białostocka. In Górowo Iławeckie and Reszel, the presence of single small, or middle-sized innovative firms; and, in Orneta, of local entrepreneurial activity, meet no, or insufficient support from other parties. In Chorzelski and Szczuczyn, it is the local government that makes efforts to widen the scope of the towns' functions with specialized, industrial activities. There are also several towns in the subset, where an overly passive attitude in all

the three spheres prevails<sup>2</sup>. External signs of territorial competitiveness vary among individual towns. Whereas in Lubawa, these involve new enterprises, new housing and inflow of new residents attracted by the local labor market: *'two multifamily buildings each year in addition to single-family houses, settled in one half, more or less by newcomers'* (Resp. 1), in Brańsk they are manifested by *'extremely high real estate prices'* (Resp. 2), despite shrinking population numbers. Still, a concern is expressed in an interview there (Resp. 5), whether the local entrepreneurial spirit will persist in face of town's progressing demographic ageing.

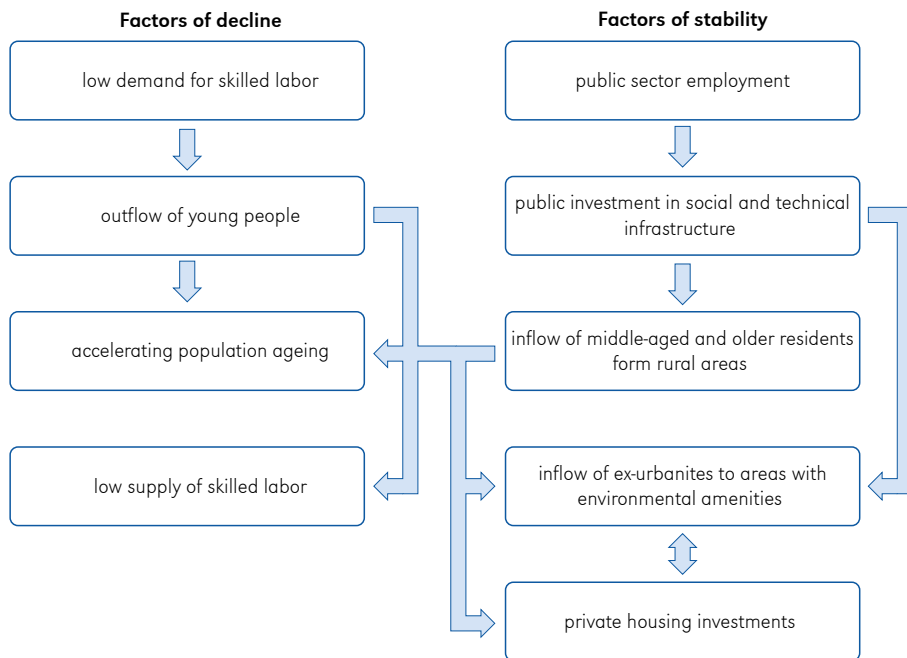
Inter-town differences regarding the presence of specialized functions can be expected to find expression in observed demographic trends. Although in peripheral areas, the outflow of capital and labor from small towns (price paid for low, or missing territorial competitiveness in R. Camagni's terms) is a general trend under the metropolization regime (ESPON, 2008, 2015), its intensity depends, among other preconditions, upon the type, scale and character of socioeconomic functions performed by individual places. Concerning this towns' subset, aside from the role of specialized economic activities, differences in overall population change over the last two decades (see: the Appendix), reflect the *territorial position* related factors. In Barczewo, it is the town's gradual engulfment by the expanding labor, and residential market of the city of Olsztyn: *'In the Green Hill estate, the city's dormitory, a larger dwelling space is available for the comparable prize'* (Resp. 6). Conversely, in Orneta and Sejny, deficient territorial position – unfavorable situation within major road network, or extreme peripherality at national level, is seen by the interviewees to be responsible for observed population outflow. Myszyniec draws new residents

from its extensive rural hinterland, where the land ownership concentration process proceeds: *'Farmers enlarge their holdings, and their children move to the town'* (Resp. 1). Similarly in Chorzele: *'The inflow of people from rural places; these are young persons, they find work and build their houses here'* (Resp. 1). In other towns, emphasized in interviews is a growing share among newcomers of elderly persons, who seek in the nearest town the living conditions improvements: *'The elderly move in from rural places, to be closer to their children'* (Dąbrowa Białostocka, Resp. 1); *'These who come from rural settlements rent flats in multifamily buildings. Here, they have running hot water; shops, doctor, everything in place'* (Korsze, Resp. 7). In Reszel, Orneta, Lidzbark and Biała Piska, reference is made in the interviews to ex-urbanites, from Warsaw and environs, among the towns' new residents.

The interdependence of economic and population change, one exposed in the interviews and the firms' survey for the majority of towns under study (the exceptions include: Lubawa, Barczewo, Olsztynek and Susz) is represented in Figure 2. As pointed out by the respondents, among factors that hamper the development in a small town of specialized, market competitive economic activities, the feedback relation between meager local demand for highly skilled labor, and the migratory outflow of young residents is of fundamental character. Emphasized in particular is a small share of returns to the home town of university graduates, these with technical competences especially. Since, according to the school headmasters (for instance: Orneta, Resp. 3; Dąbrowa Białostocka, Resp. 3), studies in academic centers undertake forty to sixty percent of local high school graduates, it can be interpreted in terms of restricted possibility for the emergence, at a small town level, of synergy driven relations building the territorial competitiveness of a given place.

Against the *decline* factors, the function of municipal administration center and related public sector services (primary and

<sup>2</sup> However distant, these inter-town differences may recall the contrast between a *growth machine* and a *subsistence* approaches, as exposed by Meredith Ramsay (2013; after: Lambert-Pennington 2016) in the seminal study on economic change and its mechanisms in the towns of Princess Anne and Crisfield, Maryland.



**Figure 2.** Small towns – decline vs. stability factors

secondary education in particular), one that determines a small town's *territorial position*, sustains its local-range commercial activities and attracts new residents from rural places. Also, through public investments in technical and social infrastructure, with their positive impact upon the local life quality: '*park, bike lanes, new sport stadium*' (Górowo ławeckie, Resp. 5); '*refurbished buildings, green infrastructure*' (Lidzbark, Resp. 5); '*playgrounds, swimming pool, street lightning*' (Chorzele, Resp. 5), the public sector acts so as to *stabilize* small towns' place of residence function, in some towns also one of supra-local extent.

## Discussion

In this paper, small towns' specialized functions are analyzed in reference to the territorial autonomy interpretive approach, one in which such urban places enter the discourse as "discrete territorial units (that) (...) have their own specific, albeit variable socio-economic, cultural and administrative

capacities (which allow them) (...) to act and create a policy agenda and seek to manage their socio-economic development' (Servillo et al., 2017: 373-4). When recognizing the contribution of regional location and other components of small towns' territorial position, which is assumed to play the major part according to an alternative, the regional determinist approach, we link the main sources of the towns' specialized activities to the endogenous, territorial capital (Camagni, 2008) related factors. Here, we also concur with D. Bell and M. Jayne (2009: 689) who, referring to D. Rondinelli (1983) claim that: "the value of small urban centers is (...) in their functional characteristics (...) (and), a key research goal must be to understand more fully the ways in which small cities attempt to develop competitive advantage in the global urban hierarchy".

The analysis demonstrates, within the small towns' context, the importance of mutual interlocking of socio-economic development factors, these integrated in R. Camagni's

(2002) territorial competitiveness framework. For instance, local leadership, regarded to be of critical importance (Bell & Jayne, 2006, referring to Romer, 1992), appears insufficient when other factors do not operate. It can be effective in improving local living conditions, but less so in bringing about the diversification of labor market, and preventing migration outflow of the young. Crucial is local resource mobilization, in form of private and public investments, and the quality of local social networks (Peters et al., 2018). The success of Lubawa, against the towns subset, is revealed as a compound effect of its milieu properties, including entrepreneurship, co-operation capability, as well as knowledge stemming from local furniture making traditions, factors enhanced by the role of 'imaginative and pro-active' (Camagni, 2002), community leaders. In a less explicit form, the main components of this interdependence framework are identified in some other towns in the subset.

With respect to dynamic territorial competitiveness prerequisites, certain attributes of small towns' specialized functions come to the fore. In Lubawa, unlike other towns, especially Susz, it is the dominant position of single, large enterprise. Whereas in Lubawa, where the interplay of international firm's industrial policies, and of intricate, highly asymmetric firm-place relationships (Dicken, 2000), so critical in case of small local economies, bear strongly upon the town's competitiveness as location (Boekemann, 1982) for specialized economic activities, in Susz the town's longer-term development prospects relate more directly to the quality and marketability of products designed, and manufactured at the level of individual firms. Another feature, one that can be sensitive regarding longer-term market competitiveness, is the focus on products in advanced stages of their life cycle (Vernon, 1966). This problem is signaled in firms' survey reports for Brańsk, where the curtailing market demand is seen to impact upon the future prospects. In the case of this town, however, the local entrepreneurial skills,

the co-operation capability (Polenske, 2004), as well as local capital resources, are likely to be mobilized so as to facilitate a transition, when needed, to alternative production or commercial activities.

The paper documents small towns' functional polarization, characteristic of peripheral regions (Blotevogel, 2005; Greiving & Flex, 2016), into local service centers, ones that have their main role in stabilizing urban-rural functional relationships, and these towns, performing in parallel some functions of supra-local range, i.e., the specialized functions. In dynamic, longer-term perspective however, within spatial policy context in particular, more relevant appears to be the division of such small urban places into resilient, and vulnerable to economic and demographic change (Besser et al. 2008; Peters, 2019). The former are here identified with these, where the presence is revealed of active, entrepreneurship friendly social milieu, i.e. the central component of the dynamic territorial competitiveness framework (Camagni, 2002). They comprise, in light of the analysis, the small towns which have, over the last decades adjusted their functional profile to the rules of open market economy by restructuring, attracting (some due to foreign investments), or generating new, product quality/specificity orientated activities of international, or wide domestic market range. They also include these small towns performing the functions of local service centers mainly, where the resilience is manifested by inflow of new, including young, labor market orientated residents from rural areas, and by the accompanying, observed low housing vacancy rates.

## Conclusions

This paper focuses on socio-economic functions performed by small towns situated in a peripheral, predominantly rural region. It contributes to the contemporary studies on small towns by focusing upon the characteristic properties of specialized activities of long spatial market range. The findings

reveal the focusing, by the successful local firms, upon the specificity, also the quality of products offered, their linking with local tradition, the skills, and natural resources. On the conceptual side, the paper identifies the sources that make for the competitiveness of small towns as location of specialized functions. At the individual town level, the research results indicate the importance of synergy effects generated by the interlocking of individual endogenous components in the development, and, in particular, the sustenance of specialized market competitive functions.

The value of specialized activities which contribute to a small town's territorial competitiveness, is found to hinge upon the firms' properties, rather than the very presence. The prevalence of labour cost based market strategy does not assure a town's socio-economic stability, not only in face of, reported in the interviews, inter-firm competition for the dwindling labour resources, but first of all due to the missing link to local social milieu. This only partly applies to these enterprises that follow a mixed-type marketing approach, the ones based mainly on the processing of local raw materials, as in case of food and furniture branches, where the product specificity still plays a major part.

Concerning the resilience vs. vulnerability issue seen from spatial policy perspective, the reported for almost all the towns enhancement of local built environment – the postponed effect of systemic transformation and

the availability of relatively generous public support, one generally recognized to mark a positive quality of life change, should be evaluated as a stabilizing factor of short term only. In view of demographic prospects which are negative for the study area, potential instability pertains to both these small towns housing specialized socio-economic activities, as well as those, performing mainly local-range functions, when the latter are faced with curtailing demand due to population decline in town's rural service catchment zone. Hence the recurring, pertaining to various national contexts question regarding the sustenance vs. smart shrinkage of the scope and intensity of public sector activities, educational, health, cultural and transit-related services available at local, the rural-urban interface level.

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Editors' note:

Unless otherwise stated, the sources of tables and figures are the authors', on the basis of their own research.



## Appendix: the small towns' index

Name of town	Population size (2018)	Population change (2002 = 100)	Local rural area* Population size (2018)	Local rural area* Population change (2002 = 100)
Lubawa	10,381	113.86	10,729	104.42
Myszyniec	3,426	113.29	7,080	96.83
Chorzele	3,078	111.64	7,109	93.89
Barczewo	7,535	100.75	10,492	123.11
Olsztynek	7,581	98.80	6,227	104.53
Biała Piska	4,030	98.17	7,743	93.72
Susz	5,571	97.93	7,213	100.40
Brańsk	3,774	97.92	5,721	85.81
Czarna Białostocka	9,338	95.91	2,076	101.66
Raciąż	4,420	95.42	9,378	93.21
Ciechanowiec	4,639	94.98	4,015	86.54
Szczuczyn	3,394	93.71	2,688	85.41
Lidzbark	7,817	93.63	6,359	101.96
Orneta	8,817	93.35	3,238	95.07
Sejny	5,344	88.52	4,034	97.02
Dąbrowa Białostocka	5,553	88.16	5,939	87.80
Korsze	4,259	87.92	5,535	91.01
Reszel	4,571	87.17	2,980	89.54
Górowo Iławeckie	3,974	85.42	6,912	92.62

\* Rural part of the respective *urban-rural* municipality; in case of Brańsk, Górowo Iławeckie, Lubawa, Raciąż and Sejny – the surrounding *rural* municipality.

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