

EU Cities and the Crisis

What is the way out?

Andrea Colantonio
Research Fellow
LSE Cities

EFAP, Nicosia, 23-11-12



Today's workshop

Introduction and background

LSE Cities and the Crisis Knowledge Exchange
Platform – our starting point

What is different in the contemporary crisis as
compared to previous economic crises

Key policy debates – e.g. investment in
infrastructure vs people?

Introduction and background

Since 2010 Next Urban Economy project –
analysis of the economic and social impacts of
the current economic crisis on EU cities

Three case studies of economic transformation
of EU cities (Barcelona, Turin and Munich)

Cities and the Crisis Knowledge Exchange
Platform

Any feedback on current work welcome

Cities and the Crisis Knowledge Exchange Platform - Our starting point

Substantial literature on responses to previous crisis: A substantial research contribution has developed over the past three decades in relation to changing city formations following the global economic crisis of the 1970s and 1980s

Practical approaches and 'best practice' responses to economic crises: Drawing on ground-level experiences several studies have endeavoured to identify 'what works', common sets of practical approaches and 'best practice' responses to economic crises

Tried and tested approaches: The financial crisis that hit global and local economies in 2008 is challenging tried and tested approaches to urban transformation and economic development

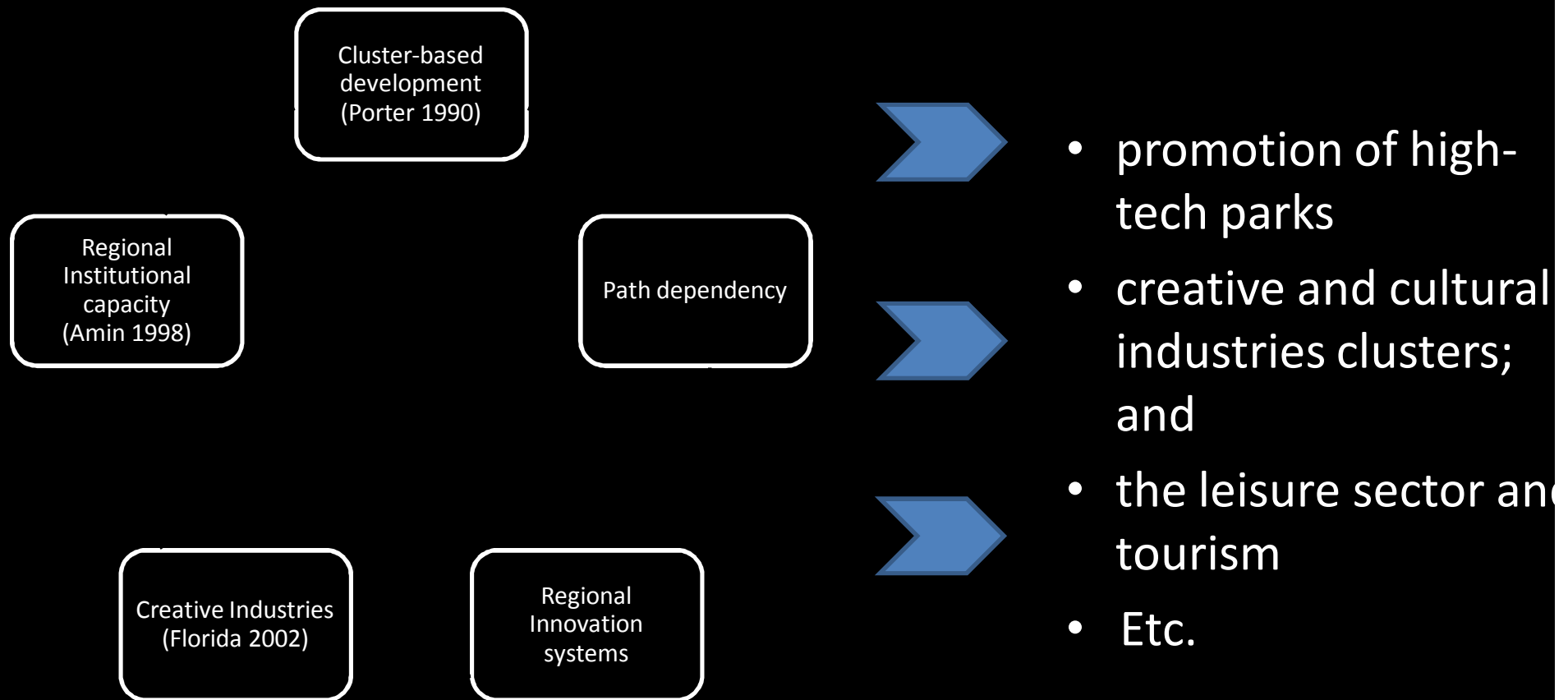
Cities and the Crisis Knowledge Exchange Platform - Our Questions

To what extent current literature on cities and the crisis still apply in the context of the current crisis?

Are there emerging discourses and concepts able to provide better analytical tools to study the current crisis?

What are key emerging policy debates?

The role of influential local development theories



Cities and the Crisis Knowledge Exchange Platform – the project

- **Interactive online and physical exchange platform** for the dissemination of key findings and case studies relating to metro-level responses to the economic crisis
- **Fill knowledge gaps on the impact of the current crisis on cities** in order to generate an diverse repository of knowledge (technical, non-technical etc.) on this theme;
- **Encourage pioneering approaches** linked to emerging concepts in urban research (resilience, transition etc.);
- **Allow a wide range of urban actors and stakeholders to contribute to the knowledge exchange** on the impacts of the crisis through web-based open access technology.

Global Metromonitor

RECOVERY PERFORMANCE (2009-2010)



What is different in the contemporary crisis as compared to previous economic crises

- (i) Real Estate bubble: asset market and demand collapses are deep and prolonged
- (ii) Collapse of land values: the property-led and land value-centred approaches of economic development and transformation no longer feasible for many cities
- (iii) Recession is intimately linked to the financial sector rather than manufacturing, which is relatively in a healthier state
- (iv) The shift towards the service sector allowed the economic transformation of many local economies. Now a big section of service sector is in crisis

- (v) It is highly synchronised across cities (e.g. it did not affect primarily old industrial cities), regions and countries
- (vi) The real value of local government debt is tending to explode: shrinking local budgets and government-imposed cuts are forcing local authorities to re-think the way in which they enable economic transformation and development
- (vii) Declines in employment are more widespread and profound: impact across economic sectors and employment typologies
- (viii) Existence of knowledge exchange platforms and social media are facilitating concerted protest movements (e.g. occupy and indignatos): a new social aspect of the crisis
- (ix) Environmental imperative is exerting additional constraints on economic strategies that can be pursued

Key policy debates

- **Macro - Micro tension:** Overcome the tension between the need for long term strategic planning (e.g. large infrastructure projects) and the promotion of smaller scale social and economic projects (e.g. fostering micro- and social enterprises, start up projects etc.)
- **Emerging Economic Sectors:** Which sectors will be future drivers of economic growth? This is a relevant issue in relation to the concepts of flexibility, resilience and transition
- **New investment vehicles for Cities,** e.g. Urban Development Funds? Mix of 'grants' and 'loans'? Increased role of other EU financial institutions such as European Investment Bank?

Governance: need for simplification and elimination of inefficiencies

Fiscal federalism: Increased localism and devolution

Demographic transformations and technological progress mean that city labour markets are undergoing radical restructuring. Re-thinking the role of Universities, training, skills required etc.

Infrastructure Investment Transport

At EU Level - Transport infrastructure is fundamental for the smooth operation of the internal market, for the mobility of persons and goods and for the economic, social and territorial cohesion of the European Union

The total investment on transport infrastructure during the period 2000-2006 was € 859 billion

The cost of EU infrastructure development to match the demand for transport has been estimated at over € 1.5 trillion for 2010-2030. The completion of the TEN-T network requires about € 550 billion until 2020 out of which some € 215 billion can be referred to the removal of the main bottlenecks

- Polycentric urban system
- Agglomeration economies and economies of scale
- Reduction of time and space travel
- E.g. London-Brussels-Paris in two hours



After 2008-crisis investments in infrastructures are creating jobs and stimulating demand – stimulus packages and Keynesian economics

Investment in infrastructure in Cities and Regions

Torino for example

City-Region collaboration leveraged €2.5bn from EU since 1989; €3.3bn loans from European Investment Bank 1993-2007

Strategic planning: re-use of old factories in inner city to provide new jobs and integration with transport infrastructure (high speed rail)



Turin's 1995 Masterplan – long term transformation process



Spina 3 in Turin



London

High Speed rail service between London and other UK major cities £ 33 billions

Cross rail
£16 billions



City centre regeneration

Several cities, including Lyon, Bilbao, Leipzig etc.

Bilbao – an Architectural zoo ?

Bilbao 1992



Bilbao 2009



Key questions for today's workshop

Should we re-prioritise or rebalance EU investment choices?

The crisis is having profound (and hidden) long term implications, which we are ignoring

- long term decline of human capital
- people deferring higher education because of the crisis
(UK applications for higher education down by almost 10%)
- EU Erasmus project to be dropped
- decline of business skills due to less entrepreneurs entering the job market