

## **A/ GLOBALIZATION, SPATIAL ECONOMIC CHANGE AND URBAN POLICY**

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### **1. Introduction**

The purpose of this initial paper is to understand how and why urban policy might be redefined in order not only to address the problems being faced by OECD cities but to build upon their actual and potential roles as dynamos of regional and national economic growth and innovation – have become more salient within policy debate. There is an emerging body of evidence to suggest that the larger, more diverse and ‘connected’ cities within OECD countries play critical, if differential, roles in a globalizing (or at least ‘internationalising’) economy and in linking the territories that surround them into international circuits of investment, trade, migration and communication. All the indications are that they are set to make increasingly important contributions to aggregate regional and national wealth and well-being in the future. At the same time there is a growing feeling that urban policies as they have been practiced across OECD countries, for all their variation, still tend to focus primarily upon dealing with the consequences of the past rather than helping equip cities to anticipate and deal with the challenges of the future.

That there is an apparent disjuncture between the claims that are being made about the renewed economic importance of key urban areas, on one hand, and the concerns that typically motivate public authorities when they develop policies that they consider to be ‘urban’, on the other, appears self-evident and in need of attention to some but is viewed suspiciously by others. What seems to unite all shades of opinion is a feeling that:

- The institutions of governance and policy frameworks that served the industrial and industrializing nations well, in terms of spatial development, at various points in the long period of economic growth that followed World War II came under increasing pressure from the 1970s onward
- A new institutional and policy ‘settlement’ is needed for the 21<sup>st</sup> century which takes account of the particular nature and geographical organization of an emerging ‘knowledge economy’, and
- ‘Sub-national’ issues of economic change, governance and policy need to be important considerations in any new settlement given the reappraisal of the nature and role of national government that has been a feature of the ‘globalizing age’.

What continues to cause controversy is whether the institutional and policy changes that have been witnessed over the last twenty years or so provide an adequate, coherent or justifiable response to changing conditions and, if not, what a new settlement with respect to spatial development should look like. Thus, for example, some of the more populist commentators have called for sub-national areas – be they ‘regions’ or ‘city-regions’ – to be recognized as the key building blocks of economic competitiveness and for policy choices and governing arrangements to recognize their ostensible superiority in this regard over the allegedly anachronistic geographies of most nation states (see, e.g., Pierce et. al., 1993). The logical conclusion of such accounts, often set out in a highly normative way (see, e.g. Ohmae, 1995), is, effectively, advocacy of a modernized version of the ‘city states’ that were an important feature of the global economic and political landscape in the period before the great age of nation-state building. More sceptical and critical commentators, on the other hand, deny that the

nation state is, or need be, 'in retreat' in any obvious sense and argue instead that national governments are deeply implicated not only in the creation of new, transnational forms of governance – that they are, in effect, agents of globalization - but also in creating the conditions under which there is greater sub-national 'competitiveness'. (Competitiveness, here, can be interpreted in at least two senses: one referring to improvements in sub-national business environments which enable the firms operating within them to prosper; the other to keener competition for economic activities and the assets that sustain them between sub-national public authorities, whatever outcomes this produces in terms of spatial patterns of economic prosperity).

The critics' interpretations vary. Some (e.g. Peck and Tickell, 1994) have argued that evolving institutional and policy reforms represent an experimental and, as yet, unresolved search for a new 'institutional fix' whereas others (e.g. Brenner, 2004), whilst not denying that institutional and policy experiments differ depending upon national contexts and conditions, claim it is possible to identify some broad cross-national similarities in the direction of travel. Brenner's argument is in many ways the polar opposite of that put by advocates of greater, institutionalized competition between sub-national areas. What he claims to identify, from an analysis of trends in spatial policy and moves toward the greater devolution and decentralization of powers and responsibilities to sub-national tiers and agencies of government in Europe, is evidence of the abandonment of the principles of national solidarity and 'balanced' spatial development that characterized the age of 'spatial Keynesianism'. In its place, he suggests, is emerging a new and more regressive approach in which national governments increasingly identify the most economically competitive sub-national spaces within their sovereign territories – invariably the most powerful urban regions - and steadily refashion public policy priorities and sub-national governing arrangements in pursuit of two broad objectives. One is to support improved economic performance in and around the most dynamic areas on the assumption that this represents the best way to selectively underpin national competitiveness, irrespective of its distributional consequences. The other is to offload responsibility for addressing the challenges of less economically competitive sub-national territories to subordinate levels of government.

What these very different takes on the importance of 'the sub-national' have in common is that they tend to identify a critical role for cities in the future prosperity of the developed world. As a result, they view policies toward cities, in the broadest sense, as a vital political issue for the future. To the extent that they talk about 'urban policy', though, they do so in expansive terms and do not limit themselves to examination of the particular policy initiatives that public authorities specifically describe as 'urban'. What separates these broad schools of thought, at least implicitly, is the degree of faith they place in globalizing processes – or, more accurately, the way in which globalization is managed - in helping bring about forms of spatial development that strike an appropriate balance between economic competitiveness, social equity and cohesion, and environmental sustainability and diversity. The divide, here, expressed in crude metaphorical terms, is between a conception of globalization that sees it as comparable to a plague of locusts that settles upon a particular territory only in order to squeeze maximum value from its assets before moving on, and one which sees it more as a system of irrigation that is not only essential to the prosperity of the globalizing 'agent' but has the inevitable effect of nourishing other, indigenous economic life forms too.

Having painted this broad picture of what is potentially at stake in the future direction of urban policy, the problem that must be faced is that whilst recent debates about the role of major cities in a globalizing era have demonstrated their growing economic and political importance, they have not yet provided much analysis of the implications for public policies. What remains in short supply, in particular, is comparative evidence about trends in urban development and urban policy on which a more informed debate can be built. This paper provides a modest contribution to the development of that evidence base. It is divided into four further sections. The next section provides some introductory comments on the way in which the issue of scale – both geographical and governmental -

affects the way in which we understand patterns of urban change and the context within which policies for cities are made. The third section offers a brief review of evidence on patterns of urban development in a ‘globalizing’ age. Following an assessment of a selection of recent, quantitative evidence on comparative urban economic change, it asks how new the patterns described by this evidence really are. It then moves to a discussion of some of the main arguments which suggest that recent changes represent a significant ‘break’ with the past and not just intensification of earlier trends. In particular, it examines the suggestion that the forces of agglomeration that apply in a ‘knowledge economy’ are significantly different to those that shaped urban development patterns in the late industrial period. The section ends with a discussion of the different implications that globalizing processes can have on cities with different sorts of characteristics.

The fourth section briefly examines the evolution and current status of ‘urban policies’, drawing attention to the variety of policy responses to be found in different OECD contexts but also to certain similarities. In particular, it discusses the status of urban policies compared to ‘mainstream’ ones whose urban effects are often very considerable - and geographically uneven - but whose design is rarely influenced by spatial considerations. The concluding section then puts the observations from the previous three sections alongside one another as a way of thinking through the implications for urban policy. Concentrating upon a series of strategic policy dilemmas, it sets out a number of ways in which urban policy might be broadened and redefined in the future. This discussion provides a clear link to the remaining papers which take up the challenge of looking in greater detail at how policy measures and the governance arrangements that accompany them might be further ‘urbanised’ and to what ends.

## **2. A question of scale**

Before turning to the main substantive concerns of the paper, it is important to touch upon two sets of issues concerning the question of ‘scale’ that inform the subsequent analysis. The first concerns the way in which geographical units of analysis condition the way in which contemporary urban change is understood, be it in OECD countries or beyond. The second, inter-related concern is with the way the geographical layering of government at different levels impinges upon the way decision-making for urban areas is organized. In respect of both, there is emerging evidence to suggest that the notion of the ‘city-region’ has distinct advantages, certainly as a tool for analysis if not also as a way of identifying the scale at which certain policy interventions are best coordinated and delivered. The reasons for this have less to do with the clarity with which this term is defined and used and more with the limitations of current administrative geographies in defining territories that capture urban development patterns effectively.

There are a number of recent English language definitions of the term ‘city-region’ (Box A.1). It is clear, from this table, that there is no overall consensus on how a city-region is or should be defined. What each of the authors in question attempts to capture, however, is the difference between (a) the ‘administrative’ city which, for most sizeable urban areas, tends to comprise only the central municipal unit within a larger conurbation, (b) the ‘metropolitan’ city, that is the continuous built up area that surrounds a municipal centre (or has, over time, ‘swallowed up’ more than one formerly separate centre), and (c) the broader territory with which the central, administrative ‘city’ and its surrounding metropolitan area have significant interaction, for example in terms of workforce commuting or a wider range of ‘travel to’ and trading patterns that link people or firms within them to a more extensive hinterland (Hildreth, 2006). Here, we refer to this broader area as the ‘city-region’ but a variety of terms are used to describe it. Sassen, in her paper, for example, refers to ‘mega-regions’ and makes the point that their scale is now such that many are not constrained by but spill over national boundaries.

#### **Box A.1. Recent attempts to define the city-region**

“We have defined ‘city–region’ to refer to: a strategic and political level of administration and policy making, extending beyond the administrative boundaries of single urban local government authorities to include urban and/or semi-urban hinterlands. This definition includes a range of institutions and agencies representing local and regional governance that possess an interest in urban and/or economic development matters that, together, form a strategic level of policy making intended to formulate or implement policies on a broader metropolitan scale.”

Tewdwr-Jones and McNeill, 2000

“The city-region transcends the local level (as the basic administrative unit) and also goes beyond the city level. In a spatial sense, the city-region is very much like a conurbation or metropolitan area. Most importantly, the city-region is far more of a complex system than a monolithic entity. The evolving city-region constitutes a political and economic power field comprised of a variety of cultures and societies.”

Ache, 2000

“The concept of [the] city-region.....covers not only the commuting hinterland of the city but also the whole area which is economically, socially, and culturally dominated by the city.”

Davoudi, 2003

“The concept of the city-region can be understood as a functionally inter-related geographical area comprising a central, or Core City, as part of a network of urban centres and rural hinterlands. A little bit like the hub (city) and the spokes (surrounding urban/rural areas) on a bicycle wheel.”

UK Office of the Deputy Prime Minister, 2005

“From a geographic point of view, global city-regions constitute dense polarised masses of capital, labour, and social life that are bound up in intricate ways in intensifying and far-flung extra-national relationships. As such, they represent an outgrowth of large metropolitan areas—or contiguous sets of metropolitan areas—together with surrounding hinterlands of variable extent which may themselves be sites of scattered urban settlements.”

Scott, 2001

Source: Rodriguez-Pose 2005

Whatever term we use, the key point to note is that the area of influence around cities – their ‘footprints’ as it were – are rarely defined for administrative or even conceptual purposes. Whilst recent work for OECD has identified a number of interesting experiments with the actual or virtual ‘rescaling’ of the units of urban governance, it remains the case that changes in local government boundaries have rarely kept pace with patterns of urban development and the evolving relationships between administrative ‘cities’, their metropolitan areas and the broader territories with which they are substantially inter-connected. As a result contemporary city-regions can be seen as complex amalgams of administrative bodies whose territorial scales affect the way they understand and respond to key urban issues and whose understandable tendency to operate ‘independently’ is tempered – for good or ill and with varying degrees of seriousness and success – by a variety of mechanisms designed to encourage greater policy integration at a larger scale.

These observations have implications for the way we understand urban development processes, and the complex patterns of growth and decline that constantly take place within any one city-region, and for governance and urban policy. Thus, for example, one of the criticisms often levelled at specific urban programmes is that because they tend to be targeted upon specific ‘problematic’ neighbourhoods, they can fail to take account of the relationship between these target areas and others in the broader urban context within which they sit. As a result, there is a tendency either for ‘problem’

areas to be ‘treated’ on a more or less permanent basis whilst the broader (ostensibly ‘unproblematic’) forces operating outside them – and which often encourage their problems to recur - remain ‘untreated’ or, even when the ‘treatment’ is successful, for their ‘problems’ to be displaced to other areas of the city or beyond. The urban programme evaluation literature is replete with references to the waves of policy initiatives that have focused consistently upon the same areas with limited transformational effect and with observations that suggest it is easier to displace urban problems - homelessness, wordlessness, physical dereliction, crime and disorderly behaviour and so on – to other areas than to eradicate them.

Similarly, but on a more abstract level, understandings of urban development patterns that are based on observations of changes at or below the ‘administrative city’ level can also present a skewed picture unless they are set within their broader spatial context. To use the UK as an example, the history of urban policy over the last 40 years has been dominated, until relatively recently, by a narrative of ‘decline’ in which attention has largely been focused upon those areas that suffered greatest dislocation as a result of a protracted period of industrial crisis and found the transition from an industrial to a service-dominated economy most difficult to achieve. In many senses this focus was inevitable and understandable given the sheer scale of physical, economic and social disruption experienced within the mature (ex-) industrial zones of large conurbations and single-industry towns in particular. However, had city-regional units of analysis been used in trying to understand the dynamic geography of economic change, the narrative that underpinned policy responses would have been significantly different (even if the practical actions that resulted from it may have been similar). Rather than contrasting employment loss and population decline within administrative cities with better performance elsewhere and forming conclusions about ‘urban crisis’, a city-regional perspective would have offered a conceptual framework that could have:

- Taken into account the relationship between what was happening within city cores and their broader areas of influence, and
- Made greater allowance for the fact that short range decentralisation of employment and population from administrative cities, along with comparatively high rates of growth in economic activity and residential development on the fringe of certain metropolitan areas, could be seen as evidence of ‘competitiveness’, rather than ‘decline’, albeit realised in a different spatial form.

Thus, for example, the extensive city-region centred upon London in the UK would have been seen to exhibit relatively consistent employment and population growth even though trends within the metropolitan area – and especially the older core area of the city - for many years ran in the opposite direction. Similarly, had attention focused upon labour and housing market dynamics across the Manchester city-region, rather than concentrating largely upon the deindustrialisation (and eventual, uneven recovery) of the administrative cities that lie at the centre of the conurbation (Manchester and Salford), a better understanding would have emerged of the enduring importance of that particular city-region to the economy of England’s largest ‘peripheral’ northern region.

This is not to argue that the effect, far less the purpose, of taking a city-regional perspective could or should have been to turn a narrative of decline and ‘failure’ into one of stability or growth and ‘success’. Such an approach could not, for example, have hidden the fact that the long-term economic decline of the Liverpool city-region – a trend that has been arrested and reversed only very recently – was manifested in the loss of employment and population of differing levels of intensity from the administrative city, the metropolitan area and the broader city-region over a thirty year period (Harding et al, 2003). What it would have done, however, is present a more compelling, if necessarily coarser, picture of change in the spatial dynamic of the national economy that put the performance of

administrative cities into better perspective. In the absence of this sort of understanding, caused in part by the fact that the geographies of governance did not encourage it, it took a long time to recognize that the process of ‘creative destruction’ that was taking place within UK urban economies had a positive side to it. In all probability it would not have taken until 2004 for the claim to be made that ‘our cities are back’ (Core Cities Working Group, 2004) because there would have been a more ready acceptance that in most important respects ‘they’, viewed more expansively, had never really gone away.

This observation about the way urban economic geographies tend to be analysed is not, by any means, exclusive to the UK. A recent review of the literature on economic relationships between cities and regions in the United States (Parkinson, 2003), for example, refers to research evidence which suggests that the highest recent rates of economic innovation and business growth in the US have occurred on the suburban fringes of the largest and best-established metropolitan centres. However the review still goes on to *contrast* the performance of administrative cities with those of ‘suburbs’ rather than pose more interesting questions about city-suburban interdependencies and the comparative performance of city-regions (i.e. combinations of cities and their suburbs).

A further, less abstract reason why a city-regional framework for analysis is useful to policy debate is that it helps describe units that reflect, rather better than administrative geographies, the way urban life is now lived. It hardly needs pointing out that in OECD countries, where over half of the population reside in predominantly urban regions and the functions of rural areas are increasingly dominated by their relationship to urban areas and the needs of urban populations, the vitality and liveability of cities and towns plays a crucial role in determining both the overall national quality of life and the way it varies depending on where people are born or live. Neither is it controversial to point out that the shape and functioning of cities and towns the world over tend to become more complex as levels of affluence and mobility increase, transportation technologies become more advanced and public and private communication infrastructures and networks are extended. The results, evidenced over many decades, have been:

- A progressive loosening of the strong link that once existed between an individual’s place of work and/or daytime activities and his or her place of residence, and
- Depending upon the stage of economic development reached within particular cities and/or countries, a steady – and, until recently, seemingly irreversible – diffusion of economic activities and people over enlarged built up areas.

As a result, a growing proportion of residents within OECD countries increasingly lead what are effectively ‘city-regional’ lives or, at the very least, find their life chances are heavily influenced by their position within particular city-regional labour and housing markets. More and more people, whether they realize it or not, routinely cross administrative boundaries during their journey to work – the figure for the UK, notwithstanding the fact that the population sizes of its local authorities are amongst the largest in the developed world, was 40% at the time of the 2001 census. This percentage figure obviously increases as one moves up the occupational scale and reaches its peak for the highest status occupational groups in and around the largest cities containing the densest concentrations of employment. This pattern is demonstrated visually for England in Figure A.1 [see Appendix] which represents the major travel-to-work flows of professional and managerial workers (marked in red) to key urban centres (marked in yellow) as at 2001, the year of the last census. The extensive patterns of commuting it describes contrast with the more constrained patterns in Figure A.2, which depicts journeys to workplaces in the same urban centres for routine and unskilled workers.

What these figures effectively tell us is that for the more affluent and privileged members of the workforce, employment prospects at any one point in time are effectively determined by the opportunities available in ‘their’ city-region compared to others. For those with less valued skills the same ‘rule’ applies but is compounded by limits to personal mobility determined by income-earning capacity (and the variety of factors that affect it), transport costs and the efficiency and coverage of transportation infrastructures. In both cases, it is city-regional fortunes, ultimately, that matter, even though these are experienced differently by different groups within the workforce. Similar observations also apply to urban ‘goods’ other than employment opportunities, given that travel-to-work patterns describe only one of the ways in which people use complex urban areas and the facilities that are distributed across them. People also travel to shop, to be entertained, to be educated, to travel, to consume public services and so on. It is perfectly possible, particularly in countries with a large number of local government units, for the adult members of a household located in one administrative area to work in another, send their children to school in a third, spend a proportion of their leisure time in a fourth, use the services of a hospital in a fifth, take a holiday flight from an airport located in a sixth, and so on. If this variety of non-work-related movements is also taken into account, it is clear that existing administrative boundaries mean considerably more to administrators, whose jobs are dominated by activities occurring within those boundaries, than to many of the people they minister to, whose lives are not nearly so constrained.

In short, the advantage of a city-regional scale of analysis is that it potentially provides the basis for a more sophisticated understanding of the economic, labour and housing market interactions between administrative cities, metropolitan areas and their broader hinterlands. In principle, it offers a sharper insight into changing national and international spatial economic geographies and a better evidence base for policy-making and debate. The problem, as OECD’s recent work on urban governance has found, is that because public policy issues are rarely thought about ‘city-regionally’, there has been a tendency not to collect, aggregate or analyse data at this scale. Although there are some signs of change, there is also limited institutional self-interest within the policy process capable of generating the momentum to address this gap in our understanding.

Instead, there is a tendency for issues related to unusually high levels of urban growth or decline – in terms of economic activity and population levels – to be treated separately, at least in national policy terms (and, in the case of countries with federalized systems of government, at the intermediate ‘regional’ scale, too). Both are generally addressed reactively through a range of disconnected policy instruments. On one hand growth tends to be managed through policy area-specific responses to the challenges it generates, for example in relation to housing shortages, heavy use of infrastructure and transport services, pressure on public services and so on. Decline, on the other hand, is often assumed to denote ‘special’ circumstances and triggers responses based on the assumption that additional, specific measures, over and above those practiced through mainstream policies, are required. As Section 4 demonstrates, specific ‘urban’ policies as they have been practiced in OECD countries can fit into either of these groups but tend to fall mainly within the latter category. Rarely, though, are the two understood in relation to one another at the scale at which this relationship makes sense. Even though, as Friedmann points out in his paper, strategic planning enables these connections to be made in principle, the all-too-common separation of land-use planning, as a ‘strategic’ activity, from decision-making in other policy areas means that planning documents often exist in isolation, can lack flexibility and purchase, and invariably become out of date relatively quickly.

Because administrative geographies rarely coincide with functional urban areas, and given that the national policies that could impose some order on strategic sub-national policy choices generally remain fragmented, integrated approaches to urban development are difficult to achieve at a ‘lower’ scale, too. What is not joined up at the ‘top’ or in the ‘middle’ is difficult to co-ordinate at the ‘bottom’. The division of metropolitan areas and city-regions into a multitude of administrative units

tends to mean that, even with the best will in the world, there is more competition – for public and private sector resources, favourable regulatory decisions, facilities and people – than collaboration between these component parts, even when competitive behaviour does little more than shift activity and people around within the same broad place.

This is not to argue that there is a neat, rational geographical-administrative fix ‘out there’ waiting to be discovered or that the actions of a single ‘layer’ of institutions can ever be decisive in an age of complex, multi-level governance. Nor should it be denied that there is considerable debate about the pros as well as the cons of administrative fragmentation. Work within the public choice tradition, for example, has consistently argued that competition between administrative jurisdictions is as healthy, for consumers of local public services, as is that between firms for the provision of commercial goods and services (see, e.g., Ostrom *et al.*, 1988). On the other hand there is an emerging literature (e.g. Cheshire, 1996; Cheshire and Magrini, 2002) which suggests there to be a significant correlation between superior urban economic performance and the existence of a territorial unit of governance at the city-regional scale. What this discussion clearly signals, however, is that the issue of governance, and the challenge of forging better horizontal and vertical connections between different decision-making spheres at a city-regional scale, is intimately bound up with urban policy, however defined, and presents some difficult challenges. We elaborate on this in the final section. First, though, we need to ask why these challenges appear to be particularly acute at the present time and how ‘fit for purpose’ urban policies, as they have been practiced thus far, are in facing them.

### 3. Urban change and the ‘new’ economy

Whilst we have argued for the merits of looking at processes of urban change through a city-regional ‘lens’, it remains the case, in practice, that present understandings are inevitably built upon data, routinely available for the recent past, which rarely adopt such a perspective. The first part of this section reviews a selection of evidence that builds upon data for areas whose geographies are larger than the basic local administrative units. These enable us to present a clearer picture of spatial economic change and to ask whether there are any common trends in the recent economic performance of OECD cities and city-regions. Our focus then shifts to how ‘new’ these patterns are and whether recent changes are adequately explained by conceptual literatures that deal with urban change in a ‘new’, globalizing, knowledge-driven economy.

To anticipate the evidence and trail the later discussion slightly, it is worth pointing out that the continued buoyancy – and, in many cases, resurgence – of key urban areas in the developed world that these data describe has come as something of a surprise to many analysts. Urban commentary within the Anglo-American tradition, in particular, has tended to present a view of cities as the source of society’s major ills rather than the generators of its creativity and wealth. As Storper and Manville (2006) point out, Anglo-American urban studies have:

*...always been shot through with a powerful streak of pessimism. For almost as long as we have had modern cities, we have had predictions of [their] decline. This [is] a viewpoint that [has] transcended time and ideology. The 1960s and 1970s generated theories of urban crisis, while the eighties and nineties added the idea of urban obsolescence.*

These authors are right to point out that Anglo-American urban social science is dominated by largely negative imagery; there are frequent references, for example, to urban ‘decline’, ‘decay’ and ‘poverty’, to cities as ‘sick’, ‘heartless’, ‘dispossessed’ and ‘desolate’ and to arguments that cities are (or were) ‘in trouble’, ‘at risk’ and ‘under siege’. In the early phases of the ‘information revolution’ twenty years ago, the prophets of urban doom were wont to go still further and argue that the freedom of locational decision-making for households and businesses ostensibly opened up by new

communication technologies sounded the death knell for cities as we have known them. Once we no longer ‘needed’ to live, work or locate our businesses in cities, so the story went, we would happily desert them in ever-larger numbers. In reality, however, something close to the opposite appears to have happened.

### *The UK as an example*

The experience of the UK, which went through a relatively early and protracted industrial crisis, is instructive here. The economic fortunes of the UK’s larger urban areas have improved significantly over the last decade or so. This is particularly striking in the case of the huge city-region focused upon the capital, London, but it also applies, on a lesser scale, to key provincial cities and conurbations. This broad pattern is demonstrated by a series of figures [see Appendix] that describe change in Gross Value Added (GVA) – the standard indicator of economic output used in the UK – at the ‘NUTS 3’ level; a common data collection unit used by the European Commission which, in the UK case, groups a number of local authority areas together at a scale that is typically smaller than administrative ‘counties’ or ‘regions’. The figures are colour coded in order to illustrate gradations between the highest and lowest values in each case.

Figure A.3 shows the distribution of GVA across the UK in 2003. It illustrates clearly how areas that have the largest concentrations of total economic output are disproportionately grouped together in the south of the country, in London, its immediate neighbouring areas and others slightly further away that, if the figures showed major transport networks, would be seen to be best linked to the capital by key rail and road infrastructures. Outside southern England, there are lesser but significant concentrations of economic ‘weight’ in northern England, particularly around the cities of Manchester and Leeds, the English midlands (around Birmingham) and, on a smaller scale, around the cities of Newcastle, in north east England, and Glasgow and Edinburgh, the principle cities in Scotland. Figure A.4 shows the same data controlled for population size in what is the best available proxy for productivity. The broad pattern is similar, with output per head of population being highest in the ‘super-region’ around London and the areas of southern England best connected to the capital and, elsewhere, in provincial metropolitan areas (which, on this indicator, also include the capital cities of Wales and Northern Ireland – Cardiff and Belfast, respectively). A comparison between the two figures confirms what has long been apparent to scholars of spatial economic performance; that urban economies are not just large, in terms of volume of activity, but inherently more productive.

More directly related to our concern to demonstrate recent patterns of spatial economic change, Figures A.5 and A.6 depict increases in GVA and GVA per capita in UK NUTS 3 areas between 1995 and 2003. The pattern here is similar but even starker. Whether we look at absolute increases in economic activity during this period or at increases per head of population, the biggest gains have been in the London super-region and the areas best linked to it by physical communication infrastructures. The ‘hot spots’ of the UK economy appear to be arranged in relatively continuous growth belts that start in London and fan out from the capital along the major transportation arteries. The only remotely comparable growth belt – albeit less continuous, smaller in size and less pronounced in terms of the rate of increase in output and productivity – is in northern England, following the line of motorway networks that link the city-regions focused upon Liverpool, Manchester, Leeds and Sheffield. Beyond this area, it is in the city-regions focused upon the larger, relatively free-standing provincial cities and conurbations that economic activity and productivity has increased most sharply.

These patterns become clearer still when we shift the focus away from the UK-wide picture and look instead at economic change within each of the non-English UK nations (Scotland, Wales, Northern Ireland) and the English regions outside the south east of the country. In general, here,

economic performance has improved fastest in the larger city-regions but as we move further south there appears to be a 'London effect' that has also benefited certain smaller urban centres. Figures A.7-A.12 show the change in share of regional GVA between 1995 and 2003 for each of the NUTS 3 areas within the more peripheral nations and regions of the UK. The picture is broadly the same in all cases; it is the larger metropolitan areas and city-regions whose share of regional GVA has generally grown fastest. Thus Figure A.7 shows that the areas focused upon the cities of Glasgow and Edinburgh have seen their share of GVA in Scotland grow fastest in this period, a characteristic they share with the north of the country where recent growth has been from a far lower base. Figure A.8 tells a similar story for Northern Ireland where the area focused upon the capital, Belfast, has made the biggest gain in GVA share. Figure A.9 shows that the same goes for the area focused upon the city of Newcastle in relation to the rest of the North East region of England, whilst Figure A.10 shows the area around Leeds to be the largest gainer of GVA share in the Yorkshire and the Humber region of northern England. Figure A.11 bears out the point about the northern England 'growth belt', made above, in that it shows the areas focused upon the cities of Manchester and Liverpool and the area between them to have gained most in terms of GVA share within England's North West region. Figure A.12 shows the area focused upon the Welsh capital, Cardiff, to be largest gainer of GVA share in Wales.

Figures A.13-A.15 depict sub-regional changes in GVA share in regions closer to London. In all three cases, there is similar evidence of stronger growth in the main urban centres but also signs of a 'London effect'. Thus Figure A.13 shows how GVA share has increased in and around two of the region's main urban centres – Derby and Nottingham – and in the north of the region in an area which effectively falls within the Sheffield city-region. (Sheffield lies immediately north in the neighbouring region of Yorkshire and the Humber). The largest gain in GVA share, however, is found in the southern area of the region around Northampton which borders the south east and is most easily accessible from London. Figure A.14 shows that the largest gains in GVA share in the West Midlands region are concentrated in an area, running south and east from the city of Birmingham, which also borders the south east, contains the region's international airport and enjoys the fastest road and rail access to London. Figure A.15 demonstrates that the largest gains in GVA share in the South West region are concentrated in the Greater Bristol area, whose eastern edge borders the south east and which is well connected to the capital by road and rail infrastructure, and, to a lesser degree, in an area centred upon Bournemouth which again borders the south east and has benefited from the recent decentralization of certain back office functions from the capital.

The 'urban story' within the UK over the last decade or so, then, is remarkably consistent. Essentially, it comprises two broad trends which have seen faster-than-average growth in and around each of the largest urban centres in parallel with increased domination of the UK economy by the steadily expanding London super-region. It could be argued that these observations are hardly surprising given that the UK economy has recently enjoyed its longest unbroken period of growth since the 19th century and it might therefore be expected that cities would be major beneficiaries of national economic buoyancy. Whilst obviously true in one sense, however, such a claim overlooks two important considerations. One is that 'national economies' do not exist independently of 'urban economies'. Cities, and the firms, organizations and people within them, are not simply passive beneficiaries (or victims) of changes induced by external circumstances; what happens within cities actively shapes those circumstances in individually marginal but collectively significant ways. The other consideration, far more important to this analysis, is that 'urban-ness', in and of itself, was no guarantee of strong economic growth in the UK during the 1995-2003 period. There are numerous examples, particularly in the northern English regions, of smaller urban areas – particularly ones that had historic specialisms in mature industrial or trading sectors - with markedly more sluggish economic growth rates.

What this brief review of the UK demonstrates is a tendency toward greater differentiation in the economic fortunes of extended urban areas whereby:

- London and the super-region that surrounds it have outstripped the rest
- The city-regions focused upon the larger and more diversified conurbations that have historically been centres of private and public service activities have performed better than those that relied upon narrower economic specialisms, and
- Smaller cities and towns that have seen their specialized industrial base decline, particularly those that are remote from the capital, have fared worst in comparative terms.

### *Spatial economic change in OECD countries*

It was not feasible, in preparing this paper, to undertake a similarly detailed analysis for all OECD countries. However some broad comparisons can be made using data assembled by the OECD which compares figures on GDP, the other standard measure of economic output, at Territorial Level 3 (TL3) – the nearest equivalent of NUTS 3 – for the 1998-2003 period. The remaining figures [see Appendix] present two sets of data for TL3 areas in each OECD country (bar the US, Canada and Australia, where GDP figures at TL3 are not available), namely:

- The % of national GDP share accounted for by each TL3 ‘unit’, expressed as a series of ‘bands’, as at 2003; this gives a visual impression of differences in the economic ‘weight’ of each of the TL3 areas for the most recent date for which data is available, and
- The annual % change in GDP for each of the TL3 areas in the period 1998-2003, again expressed in various ‘bands’ which are the same for each country; this gives a visual impression of which areas have grown fastest within the period.

Once again, the figures are colour coded in order to represent gradations between the highest and lowest values in each case. These figures are not perfect for our purposes. It is not possible, for example, to compare sub-national economic output across countries because the TL3 data values are expressed as a percentage of national GDP rather than in gross terms. This means we cannot form any conclusions about the existence of, or changes in, the international urban hierarchy. Similarly, the use of a common set of bandings for sub-national GDP change across the OECD means that within-country contrasts are not as visually striking as they would have been if the bands had been chosen on a country-by-country basis to illustrate the range of differences between the fastest and slowest growing TL3 areas within each particular OECD nation. Care also has to be taken not to confuse relatively high, comparative rates of recent growth (for example in the Slovak Republic in comparison to Japan) with the absolute volume and importance of economic activity (on which Japan’s ‘ranking’ is infinitely higher).

Even with these limitations, however, the figures tell a country-by-country story that is remarkably consistent. They demonstrate that high levels of economic output, unsurprisingly, are concentrated in those areas centred upon the largest, most diverse and connected cities within particular national territories and, more important to current purposes, that trends between cities within the same country suggest that the emerging, more knowledge-dependent economy is associated with higher returns to (urban) scale. As in the UK, this tends to be reflected in greater differentiation between cities in terms of economic growth, measured in absolute or relative terms. Broadly speaking, we can divide urban development trends within OECD countries between 1998 and 2003 into three main groups. In the first, relatively high rates of economic growth across the entire country

combine with the fact that economic ‘weight’ is disproportionately concentrated in a particular ‘primate’ city-region to reinforce the place of that city-region at the top of the national urban hierarchy. This is the case, for example, for:

- The area focused upon Dublin, in **Ireland** (Figures A.16 & A.17), where the capital city-region’s only rival, in terms of economic ‘weight’, is the geographically larger but less populated territory, containing a number of small, independent urban centres, in the south west of the country
- The comparable area focused upon Seoul, in **South Korea** (Figures A.18 & A.19), and
- The area focused upon Bratislava in the **Slovak Republic** (Figures A.20 & A.21).

The bulk of OECD countries fall into a second group in which overall rates of national economic growth in the 1998-2003 period have generally been more modest but where patterns of spatial economic growth have, at the very least, seen a reinforcement of the pre-existing national urban hierarchy or - in most cases - seen the largest city-regions grow faster than the rest. In Scandinavia, for example:

- The dominant position of Copenhagen within **Denmark** has been reinforced by recent changes that have seen fastest economic growth in the capital city-region and the area around Aarhus but slower growth in other areas where GDP remains relatively high (i.e. around Aalborg and Odense) (Figures A.22 & A.23)
- The Oslo city-region has experienced a far higher growth rate than the rest of **Norway**, including the area around Bergen which ranks second in the country in terms of the concentration of GDP (Figures A.24 & A.25)
- Helsinki’s importance within **Finland** has been maintained as recent growth in the capital city-region has matched or outstripped that of areas focused on the country’s smaller urban areas (i.e. Tampere and Turku, respectively) and only trailed the growth, from a much lower GDP base, of the area around Oulu (Figures A.26 & A.27), and
- Stockholm’s economic importance in **Sweden** has been maintained as the growth rate in the capital city-region has matched those found in western and southern Sweden (including the areas around Gothenberg and Malmo) (Figures A.28 & A.29).

Similarly, within northern Europe:

- Recent growth rate in the capital city-region centred upon Paris has (a) matched those experienced in western and southern **France** which have also grown relatively quickly but, with the exception of the area around Marseille, from a much lower GDP base, and (b) outstripped those achieved in other areas with relatively high GDP (i.e. those centred upon Lyon and Lille) (Figures A.30 & A.31)
- Within the historically more balanced urban system in **Germany**, recent growth rates in and around Frankfurt, Munich, Stuttgart and the area to the north and west of Berlin have been higher than those of other areas – particularly those focused upon Dusseldorf, Koln and Hamburg – where GDP remains comparatively high (Figures A.32 & A.33), and

- In the **Netherlands**, recent growth in the area focused upon Amsterdam, and especially its eastern fringe, has outstripped that found in the area focused upon Rotterdam, the one other area of the country where GDP remains significantly higher than the national average (Figures A.34 & A.35).

The same broad trends can also be observed in southern Europe, where:

- The fastest rates of growth in **Greece** are found in the area centred upon Athens, which ranks highest in gross GDP terms, and in coastal and island areas, where recent growth is from a much lower base, whereas the other area of the country where GDP remains comparatively high – in the north of the country around Thessalonika – has experienced more moderate growth (Figures A.36 & A.37)
- Growth rates in the extended area around the capital, Lisbon, have been as high as in eastern and southern areas of **Portugal** but have been built upon a much higher GDP base whereas the other area of the country where GDP remains comparatively high – around Porto – has experienced minimal growth (Figures A.38 & A.39), and
- In **Turkey**, recent growth in the area focused upon the capital, Istanbul has been amongst the highest in the country and in excess of that achieved in the area focused upon Izmir, which ranks relatively high in terms of GDP. Ankara, however, is unusual in that it is one ‘second tier’ city in an OECD country that has experienced faster growth than its ‘first tier’ rival (Figures A.40 & A.41).

Within the same group of countries, in Eastern Europe, we find that:

- In **Poland**, the highest comparative levels of GDP are to be found in the areas centred upon Warsaw and Katowice but the highest recent growth rates are found in the former, again the capital city-region, rather than the latter, along with the area around Wroclaw which has grown relatively quickly from a lower GDP base (Figures A.42 & A.43)
- In **Hungary**, there is a very simple pattern whereby the capital city-region of Budapest dominates in terms of its economic ‘weight’ and its comparatively high level of recent economic growth (Figures A.44 & A.45), and
- Similarly, in the **Czech Republic**, the area around the capital, Prague, where GDP is highest, has experienced the fastest recent growth (Figures A.46 & A.47).

Only in a small group of OECD countries do we find evidence to suggest that the largest city-regions are not, in all cases, necessarily growing more quickly than other areas within their respective national territories. Within **Spain**, for example, GDP continues to be significantly higher in the areas centred upon the capital, Madrid, followed by Barcelona and, to a lesser extent, Bilbao, Seville, Valencia and Alicante. However the highest recent growth rates are found in the southern coastal belt which includes Alicante and Catalonia but not the other cities, where recent growth has been steady but more moderate (Figures A.48 & A.49).

This more mixed pattern is more noticeable still in the other OECD countries for which TL3 GDP data is available. Thus, for example:

- In **Austria**, the area focused upon Vienna continues to be vitally important in terms of economic weight as, on a smaller scale, do those around Linz, followed by Innsbruck,

Salzburg, Graz and Klagenfurt. However growth has been moderate in most of the key urban areas, and relatively low in the areas around Graz and Salzburg, whereas the highest levels of recent growth are found in the south and west of the country between southern Germany and northern Italy and towards the borders with Slovenia and Hungary (including the area south of Vienna) (Figures A.50 & A.51)

- In **Italy**, the highest concentrations of GDP continue to be found in and around Milan, followed by Turin, Rome and Naples. However growth in these areas has been relatively sluggish and Florence is the one large urban area in the country in the group of TL3 areas in which GDP has grown fastest (Figures A.52 & A.53)
- In **Belgium**, the highest comparative levels of GDP are found in the areas centred upon Brussels and Antwerp but it is the area south of Brussels that has recently grown fastest; the two cities share moderate growth rates with much of the rest of the country (Figures A.54 & A.55)
- In **Mexico**, Mexico City continues to have by far the largest concentration of GDP but has experienced low growth rates compared to southern, western and eastern coastal areas where there has been far higher GDP growth albeit from a much lower base (Figures A.56 & A.57), and
- In **Japan**, the areas of high GDP concentrated upon Tokyo (especially) and Osaka followed by Fukuoka, like the rest of the country (bar an isolated ‘success’ west of Osaka), have recently experienced low growth rates (Figures 58 & 59).

### *How are contemporary patterns of urban economic change currently understood?*

This brief resume of patterns of urban economic change across OECD countries confirms that selective urban renaissance and a growing differentiation between the economic fortunes of different cities and city-regions, whilst by no means universal, is clearly the dominant trend. Urban hierarchies have become increasingly ‘stretched’ in a wide variety of national contexts and it seems that we live in a world that is not only more urbanized and dominated by urban economies but where differences in city-regional fortunes are growing. The questions that remain are whether this observation is particularly surprising and what factors have caused these patterns to occur. There is no consensus on either question. The former, though, is slightly easier to address than the latter. Whilst we have noted the strong streak of pessimism that characterizes much Anglo-American writing on cities and the fact that advances in technology were expected, by some commentators, to enable the further decentralization of population and economic activity away from the larger urban centres, the fact remains that, viewed over a longer timescale, national urban ‘systems’ remain remarkably stable.

The European urban system, judged by rankings of cities by population size, has remained relatively stable for centuries (Le Galès, 2002: 58). The pattern of dominant and lesser order cities that characterises contemporary Europe and its constituent nations, he argues, was more or less set during – and to a significant extent long before – the industrial revolution, so much so that the league table of Europe’s most populous cities for 1750 shows very significant similarity with its equivalent for 1950 and is readily recognizable as the ‘pecking order’ of modern-day urban Europe. Viewed in this light, what Europe’s major cities – or more accurately the firms, workers, households, public service providers and associational networks that constitute them – have been doing recently, in a ‘post-industrial’ age, is little different to what they have done through wave after wave of technological and economic change for centuries. They are exhibiting a capacity to adapt to a variety of ‘shocks’ in the

environments in which they operate in ways that collectively continue to reproduce historically entrenched patterns of urbanisation or, at most, shift them incrementally and at the margin.

This is not to argue that it is impossible for new ‘entrants’ to join the ranks of the world’s major cities. Rapid industrialization in countries previously dominated by rural economies continues to produce intense urbanization and the rise of ‘new’ megacities, just as it did in earlier times in the older developed world. Rather, what it suggests is that large urban areas, once established, are remarkably resilient and able to adapt to ‘shocks’, even when these present fundamental challenges. So, for example, Castells (1989) may well have been right to argue that what he calls the ‘informational mode of development’ is as different, in its own way, as was the industrial mode of production from the agrarian economic systems out of which it evolved. He may also have been right to suggest that, in an age in which ‘knowledge inputs’ to the production of goods and services have grown in importance compared to the established factors of land, capital and labour, the global economy is best interpreted as a ‘space of flows’ rather than a ‘space of places’. However our review suggests that it is those places that were particularly significant nodes in previous phases of economic development that have retained, and in most cases increased, their importance and centrality in an information-dominated economy. ‘Flows’, even when they involve the transmission of intangible rather than physical goods, have to operate between places and it appears from the available evidence that Castells’ ‘space of flows’ has been superimposed upon the pre-existing ‘space of places’ without changing the basic features of economic geography as radically as might once have been expected.

If the resilience of major urban areas should not surprise us, though, we are still left with the puzzle of explaining which factors encourage higher levels of growth in some cities and city-regions but not others. If there is nothing necessarily automatic about recent urban growth or renaissance, what is it about the characteristics of those areas that have experienced positive change that differentiates them from those that have not? On this issue, there is no shortage of claims that the larger, internationally networked urban areas of the developed world have distinct, comparative advantages. Scott and Storper (2003), for example, argue that:

*City-regions are locomotives of the national economies within which they are situated, in that they are the sites of dense masses of interrelated economic activities that also typically have high levels of productivity by reason of their jointly-generated agglomeration economies and their innovative potentials*

Veltz (2005), similarly, offers the view that:

*Metropolitan spaces are becoming, more and more, the adequate ecosystems of advanced technology and economy.... [T]he decrease of communication costs does not by itself lead to a spreading and diffusion of wealth and power; on the contrary, it entails their polarization.*

History and pre-existing patterns of economic specialization remain more important to explanations of urban development trajectories than success in the active pursuit of new ‘global’ functions or status. When it comes to explanation of particularities, rather than observation of generalities, however, our current knowledge is, at best, tentative. Accounts of accelerated urban development and/or resurgence across the advanced, post-industrial nations vary in their emphasis and comprehensiveness but typically carry a similar message; that something has happened in the transition to a ‘knowledge economy’ dominated (at least in terms of employment) by services, which has:

- Triggered changes in the locational behaviour of key economic agents and the workforces that service them in ways that favour certain – but by no means all – major city-regions, and

- Seen the established tendency, in the late industrial period, for population and economic activity to decentralise from major cities and/or grow afresh on the periphery of expanding city-regions become overlain with a more recent tendency for the *reconcentration* of particular sorts of jobs and certain types of household within the core areas of cities.

The key concept that explicitly or implicitly underlies these accounts – agglomeration – is by no means new. Rather, what is effectively being argued is that the nature of agglomeration forces has changed, in the transition from a world economy dominated by a small number of nationally integrated systems of labour-intensive industrial production to one that is internationally organized and knowledge-intensive, in ways that privilege certain urban areas over others. To briefly provide a context for those accounts, though, it is important to understand that the efficiency of urban economies has traditionally posed something of a conundrum for economic analysis and to appreciate the role that the re-invigorated notion of agglomeration has begun to play in the way the geography of the ‘new’ economy is being interpreted.

Cities, as Fujita, Krugman and Venables (1999) have noted, have long represented a puzzle for mainstream economists ‘to such an extent that most textbooks in economic principles still contain literally no reference to the existence or role of cities and other geographic concentrations of economic activity’. The problem, as they see it, is that the role of increasing returns (Krugman, 1991), upon which the superior productivity of cities is seen to rest, has remained impenetrable to most economic theory based, as it is, on an assumption of constant returns. It is only recently, with advances in the ‘new economic geography’, that mainstream economists have begun to develop a deeper formal understanding of how it is that ‘the dramatic spatial unevenness of the real economy...is ...the result not of inherent differences between locations but of some set of cumulative processes...whereby geographic concentration can be self-reinforcing.’ In trying to tackle this theoretical conundrum, new economic geographers (e.g. Fujita and Thisse, 2002) have gone back to the notion of agglomeration, a concept that has long underpinned the work of urban economists and spatial scientists.

To agglomerate, according to the dictionary definition, is to ‘gather together in a mass’. Agglomeration economies, therefore, are the economic advantages enjoyed by producers from grouping themselves together within particular locations. The notion of agglomeration cannot account for the formation of cities in anything more than a general sense. Myrdal’s observation about the relatively random nature of the formation of centres of economic activity remains difficult to challenge:

*...the power of attraction of a center today has its origin mainly in the historical accident that something was once started there and not a number of other places where it could equally well or better have been started, and that the start met with success.... (Myrdal, 1957; 27)*

Nonetheless the notion of agglomeration is one of the key conceptual tools that has traditionally been used to explain urban growth. Much of the work on agglomeration economies has focused upon providing an explanation of why firms in similar or related lines of business group together rather than spread out, geographically, in order to serve spatially differentiated markets (Marshall, 1890). This form of agglomeration, which gives rise to what are usually referred to as ‘localisation economies’, is seen to depend upon ‘input sharing’, that is the benefit accruing to firms from being located close to suppliers and purchasers of intermediate goods, and to ‘knowledge spill-overs’, through which firms are able to gain access to the tacit intelligence and understandings that circulate through formal and informal contact between economic agents with similar interests in particular localities and territories.

The benefits of agglomeration do not, however, accrue only to firms. Neither are its transmission mechanisms dominated by narrow inputs into the productive process. A second form of agglomeration, which gives rise to ‘urbanisation economies’, provides benefit to workers and residents too and is as much about demand as supply side factors. Essentially, it is concerned with the economic advantages of city size and diversity. Thus, for example, the extensive labour pools that are found in large urban areas not only provide employers with a high degree of choice when hiring staff, they also offer a large number of options to workers and potential workers and provide them, comparative to other sorts of place, with a high level of insurance against under- and unemployment. At the same time, the high demand for finished goods, personal and consumer services and homes generated by a large and comparatively discerning residential population drives innovation and competition amongst producers for domestic urban markets.

A fascination with the economic effects of these broader, urbanisation economies led authors such as Jacobs (1969, 1984) to argue that it is the classical attributes of cities noted by an earlier generation of sociologists – density, heterogeneity and the inter-personal mixing that arises from social encounters as well as employment-based contacts – rather than the sector-specific advantages associated with localisation economies that both attracts and produces economically innovative people and behaviour. On this view, cities are attractive to the more capable and ambitious individuals because participation in large and extensive urban labour and housing markets – by existing and new residents alike - acts as an ‘escalator’ effect on social and occupational mobility (see, e.g., Fielding, 1992). The ‘escalator’ benefits of big, diverse and heterogeneous cities, helps explain why they have long been associated with high productivity. Various estimates have been produced over the years to suggest, for example, that an increase in the urban population size automatically produces a related rise in productivity and that wages in larger cities are significantly higher than in smaller ones even when they are controlled for occupational differences. It also underlines the importance of city-regions in that the most dynamic cities, because of their attractiveness to people at early stages in their careers, tend to have relatively young age profiles and to be characterized by selective out-migration of older, economically active households who, at a particular stage in their life-cycles, prefer the perceived amenity or life-style advantages of living outside the core of the conurbation and hence choose either to commute from more peripheral locations within the city-region or to use the skills and contacts they have acquired to engage in economic activities that retain a connection to the metropolitan economy but from less central locations.

Dynamic cities therefore typically concentrate wealth and wealth-creators but also tend to diffuse them, over time, to a broader geographical area, thereby underpinning the economic success of loosely integrated city-regions. There is a downside to this process too, of course, in that the opportunities for personal advancement that are perceived to be concentrated in the larger and more diverse cities also attract individuals with lesser skills and potential, thereby making the urban labour market more competitive for existing, less skilled residents. The result, whose geography depends upon the operation of housing markets, is that less occupationally mobile people who are unable to develop more marketable skills invariably become ‘trapped’ in the lowest status residential areas of cities. In short, urbanization economies tend to concentrate poverty and disadvantage as well as concentrate and diffuse wealth.

At least in principle, accounts of urban change based upon the notion(s) of agglomeration can explain decline as well as growth in that, at a certain point, the diseconomies of agglomeration, exhibited in terms of high property and land prices, traffic congestion, poor environments, crime and so on, can outweigh the advantages, thereby encouraging the outflow of people and economic activity. In practice, these ‘tipping points’ are difficult to identify, given that they vary significantly according to the nature of the decision-making unit concerned (e.g. firms, households, workers) and tend to be culturally specific (i.e. preferences for urbanity as opposed to suburban life differ substantially

between countries). If we put this brief discussion alongside the evidence of urban and city-regional development and resurgence outlined in the last section, however, what they jointly suggest is that there is something about the nature of agglomeration that has shifted, with the transition to more knowledge-intensive production of goods and services, in such a way as to change the balance between the benefits and costs of living, working and developing businesses in the larger city-regions.

It is a measure of the increased interest in agglomeration that two of the major conceptual contributions to spatial economic policy debate in recent years have emerged out of the different traditions within agglomeration analysis. Thus the ‘clusters’ approach popularised by Porter (1990, 2000), for example, emerged from debates about the importance of localisation economies as a key source of competitive advantage and has taken on an increasingly ‘urban’ flavour. In similar vein, but taking a very different tack, Florida’s (2002) work on the ‘creative class’ adapts the notion of urbanisation economies to make the argument that it is those cities that offer the consumption facilities and ‘buzz’ (Storper and Venables, 2004) that can attract particular types of highly skilled labour that have the greatest economic potential.

Whilst they are endlessly ‘sold’ to city decision-makers as potential solutions to their problems, however (see, e.g., Peck, 2005, on the ‘Florida industry’), neither of these approaches are sufficiently critical to be particularly helpful in explaining the different fortunes and potentials of key urban areas in OECD countries noted in our review. We still await a conceptual account that is capable of doing this effectively. An interesting starting point, however, can be found in Veltz’ work (1996, 2005). Veltz’s analysis draws significantly upon earlier accounts about the central place of (certain) city-regions within a more globalised, knowledge-rich economy. Like, for example, Castells (1999) and Sassen (1991), he sees certain key city-regions as the ‘switchboards’ that connect chains of producers, consumers and intermediaries together within an increasingly internationalised system of production, distribution and exchange. What makes his analysis interesting is the importance he attaches to agglomeration economies in making this happen. So, for example, he argues that in an increasingly ‘weightless’ economy, where the costs of communication and transportation have fallen, agglomeration advantages have become more, not less important. ‘Metropolitanisation’, he suggests, is intimately linked to globalisation and to a regime of competition between firms that is increasingly based upon quality and innovation and not solely upon cost and hence is particularly dependent upon knowledge resources.

What this has meant, he suggests, is that the traditional advantages of agglomeration – for example in terms of innovation in consumption goods and services, in providing choice and quality to both employers and workers in matching skills and jobs and in the ‘quality of co-operation’ between producers – have grown, particularly in the largest, densest and most economically diverse city-regions. As a result, they help firms, workers and households insure themselves against risk in a particularly effective way and hence both attract newcomers and erect barriers to exit from city-regions that override diseconomies. Veltz’ analysis does not support the view that city-regional resurgence, and the agglomeration advantages that bring it about, are in any sense ‘automatic’ or evenly distributed. Indeed his conclusion is that the process is highly selective, and that the ‘new’ economy – seen from either a global or a European perspective – will increasingly take the form of an ‘archipelago’ in which there are dense interactions and transactions, across national boundaries, between a variety of economic agents located in big, nationally and internationally connected city-regions. The main change he envisages, at least in Europe, is further differentiation between the core nodes of the archipelago and second tier city-regions.

Veltz’ observation about the importance of international connectivity as a key factor that helps sustain key city-regions’ places within an emerging global archipelago economy is taken up in Peter Hall’s paper, which assesses the extent to which the differential economic potentials of cities and city-

regions is, or could be, reflected in the way major transport and communication infrastructures are planned, developed and organized. It also raises the broader question of the importance of globalization for patterns of urban economic change. This is an issue picked up in Saskia Sassen's paper, which makes a number of useful observations about:

- The symbiotic (and under-explored) relationship between 'old' and 'new' economic activities
- The fact that the provision of 'mundane' goods and services are essential to servicing the needs of firms, workers and households engaged in the high order service activities that are assumed to be a key feature of 'global' or 'globalizing' cities, and
- The way these relationships are being played out in the economic, spatial and physical re-organisation of city- or mega-regions.

In shifting the focus beyond a small group of leading command and control centres from which global economic flows – particularly of finance – are managed, and looking more widely at the development of 'mega-regions' and not just at the areas – usually the central parts of cities - in which these functions are concentrated, Sassen implicitly makes the case for a broader understanding of the urban implications of globalizing processes than the one with which she has largely been associated and that has so far dominated academic analysis. Two implications are particularly noteworthy. The first is the idea that the mega-regions in which globalizing cities sit are not necessarily as disconnected from the fortunes of 'their' central cities as it has sometimes been made to seem. In other words the key, higher order economic agents that are most associated with globalizing cities, whilst they are increasingly connected with others like themselves on an international scale, can also drive innovation and employment-creation within their surrounding city- or mega-regions. The second is that, whilst it remains true to say that the 'new' economy is characterized by greater income polarization than was experienced under its late industrial predecessor, once we examine labour market change at the larger urban scale and not just within the central city, the divisive and polarizing effects that have dominated academic discussion of globalizing cities (see, e.g., Fainstein et. al., 1992; Marcuse and van Kempen, 2000) appear both less sharp and less directly driven by globalizing processes.

The larger, analytical problem that we face in talking about the impact of globalization on cities, though, is that most writing on 'global' or 'globalizing' cities takes a relatively narrow view of globalizing processes that gives pre-eminence to the movement of capital and, to a much smaller extent, labour (on the latter, see Smith, 2001). The metaphors set out in the first section of this paper – globalization as 'plague of locusts' or 'irrigation system' – represent two sides of the same coin which effectively assume that 'globalization' can simply be equated with the search by firms for the biggest return on capital investment. However, as Appadurai (1990) has argued, globalization is best conceived of not as a single, disembodied 'thing' but as a multifaceted and loosely inter-connected set of processes involving acceleration in the international circulation not just of money and people but also of goods, services, images and ideas, and the creation of the context that enables and encourages such flows. Seen in this light, the 'global city' model, assumed by most commentators to be based upon the development of a strong presence in internationally traded business and financial services, just like the subordinate developing world model, assumed to be based upon the development of low cost manufacturing capacity or the off-shoring of routine back office functions, represents just one of the myriad ways in which globalizing processes are affecting different sorts of urban areas. A next stage in the development of work on the urban implications of globalizing processes is clearly needed which can recognise this variety and, for example, take into account the fact that the out-migration of young and (differentially) skilled workers and households from metropolitan areas in Poland to areas

of high labour demand elsewhere in the EU is just as important a part of the ‘globalization’ story as the growth of London or Paris but one that has different effects and policy implications.

#### **4. Urban policy in retrospect**

In his recent review of urban policy, Cochrane (2006) rehearses the difficulties that scholars have long faced in describing where ‘the urban’, seen in terms of policy, begins and ends. His broad conclusion is that, in an increasingly urbanized world, the notion of urban policy is difficult to define and to differentiate from the huge volume of public sector activities that produce urban effects of one sort or another. The vast majority of public expenditures, along with many policy decisions which involve regulatory activity or resource transfers between levels or agencies of government rather than the direct spending of money, have implications for urban development patterns. A myriad of unconnected decisions in different policy areas inevitably affect the operation of urban property, capital and labour markets, often ‘rewarding’ some areas at the expense of others. Some, by their very nature, are spatially selective; to take a simple example, decisions on motorway-building cannot avoid triggering development activity in some places as opposed to others. Others, such as generalized reforms of educational or training programmes or variations in the level or regulation of local authority capital and revenue expenditures, affect all urban areas, but rarely in equal measure. Cumulatively, such decisions have significant and uneven impacts upon urban economic fortunes, both positive and negative. Their importance in this regard is nonetheless implicit: their spatial (and therefore urban) effects are incidental and are rarely taken into consideration at the point at which decisions are made.

Much of what we currently consider to be ‘mainstream’ policy at the national scale – or the intermediate ‘regional’ level in the case of highly federalized countries – often developed originally as more localized responses to urban changes and challenges. The development of public policies in respect of sanitation and health, education, transport and utilities, housing, land-use planning and environmental amenity/recreation, for example, were ‘urban’ long before they became items on national policy agenda. Once they were ‘nationalised’, however, they ceased to be thought of as urban and tended, instead, to be considered as sectoral concerns. Recent attempts to decentralize and marketize certain aspects of national welfare provision notwithstanding, a rudimentary taxonomy of the ‘urban-ness’ of policy would still, ideally, need to take the implicit as well as explicit ‘urban’ roles of higher levels of government seriously and distinguish between the variety of ways in which public agencies’ decisions, structures and inter-relationships impact upon processes of urban change, whether or not they take their spatial/urban effects into account. It might, for example, highlight the differential urban impacts, in different national contexts, of:

- Regulatory decisions (e.g. in terms of international trade agreements or the setting of interest rates) that have differential impacts upon economic sectors and hence upon geographical areas in which particular sectors are concentrated
- Constitutional and structural factors (e.g. levels of devolution, the extent of political representation and influence by ‘peripheral’ areas at or within ‘the centre’, the degree of importance attached to fiscal equalization) and the way these shape the nature and type of locational decision-making (e.g. in the form of institutionalised competition for firms and households and the locational assets that attract them)
- Inescapably spatial decisions that are not seen as ‘urban’ (e.g. the development of airports or the siting of national R&D facilities),

- Specific spatial policies, as expressed through, for example, strategic land-use planning and policies for regional development, and
- Specific policies targeted at particular urban areas or groups within urban areas.

Of these categories, it is activity related to the first three that clearly carry the biggest implications for urban areas but only the latter are generally described as ‘urban policy’. Indeed, the limited amount of work that has been done comparing the development of urban policies in different national contexts in recent years (e.g. Kamal-Chaoui, 2004) suggests that one of the few characteristics that unite a wide variety of different approaches is the principle of selectivity. Explicit urban policies are usually justified on the basis that conditions are so unusual in particular sorts of places that the issues they face are not dealt with adequately through mainstream policy and thus they require specific, additional attention. In other words an important principal of urban policy interventions is, effectively, an admission of selective ‘failure’ in the way in which sectoral policy initiatives work in particular areas and an acceptance that a degree of positive discrimination in the use of resources is needed. Because this is never easy to justify for higher levels of government, it is not surprising that (a) the resources devoted to urban policy initiatives tend, overall, to be small, (b) it is easier to defend the idea of additional, specific urban policies when they are seen to focus upon ‘problems’ rather than on ‘potential’ (i.e. it is easier to compensate ‘losers’ than to justify ‘picking winners’), (c) there is a tendency to focus upon particular cities and, especially, certain ‘problematic’ neighbourhoods within them, and (d) there is always a temptation on the part of Governments to use urban initiatives symbolically in order to demonstrate that they are responding quickly to perceived crises.

The extent to which urban policies have become a feature of broader decision-making within OECD countries and the particular purposes on which they focus is not something that it is easy to generalize about. The table, below, draws upon two recent attempts to compare national urban policies in Europe (van den Berg et. al., 1998, 2004) and supplements the information contained within them with a reading of various ‘territorial review’ reports produced by the OECD. To the extent that this literature allows, it sets out descriptions of urban policies as they have operated in particular OECD countries. The first observation that emerges from the table is that urban policies, inevitably, are the products of time and place, as understood at particular junctures. Looked at in the round, the key differences tend to depend upon:

- Degree and stage of urbanization (e.g. the extent to which key urban issues at any one time are associated with rapid urban growth, issues thrown up by suburbanization processes, de-urbanisation or some combination of them)
- Stage of economic development (e.g. whether OECD countries and the cities within them are primarily grappling with recent industrialisation, de-industrialisation or the challenges of a ‘post-industrial’ economy)
- The relationship between specific urban policies and other spatial and sectoral policies (e.g. the extent to which urban programmes support regional and technology policy aims or effectively represent alternative, and even conflicting, approaches to spatial development), and
- Differences in the urban form and the prevalence of issues related to urban order (e.g. in relation to the housing market, its effects on social and spatial segregation and the extent to which segregation is associated with concentrations of anti-social behaviour or conflicts within or between different groups within cities).

The second observation is that the ‘targets’ of urban policy vary widely, depending upon how the above factors come together in particular places and on the urban issues that are seen as pressing at any one time. The table bears out one of the messages of Le Galès’ paper - that urban policies have been applied to a huge range of issues spanning economic development, physical regeneration (commercial, residential), environmental improvement, labour market intervention, integration of minority ethnic communities and so on. The third observation that lies implicit within the table is that, to the extent that we can talk about urban policy transitions in recent years, the impetus for change has tended to come from assessments of the the effectiveness of urban policy initiatives in their own terms rather than a broader debate about where urban policy fits within the broader contribution of public agencies to the development of cities. Thus, for example, it is possible to identify evidence of reconsideration of (Table A.1).

- ‘Need’ as opposed to ‘potential’ as the basis for urban policy intervention and the logic, when addressing acute and concentrated social problems, of recognizing the relationship between areas of need and areas of potential
- Whether the isolated urban neighbourhood is the most appropriate ‘unit of analysis’ in designing new approaches to urban policy
- The extent to which it is possible to rely upon short-term ‘fixes’ and experimental programmes or whether the focus should shift, instead, to a smaller number of longer term and sustained investments
- Whether ‘urban initiatives’ can bring about transformational change if sectoral policies that have significant spatial effects continue to lack an ‘urban mission’, and
- Whether the highly decentralised delivery of urban programmes, often achieved through the creation of experimental new delivery vehicles and partnerships, is effective in encouraging the ‘nesting’ of policy and programmes at different levels of government.

Each of these questions is important, but it is not clear that they are grappling with the more fundamental issues that our earlier review of urban development trends identified. We therefore need to bring the two substantive sections of this paper together and consider the challenges that arise for urban policy.

**Table A.1. National urban policies in a sample of OECD countries**

<b>Austria</b>	No explicit urban policy at federal or regional (Land) level. The Lande are more driven by concern with the effects of suburbanisation and the 'weak' position of regional peripheries rather than 'strong' urban centres. Strong fiscal equalisation mechanisms mean that there is a high degree of 'home rule' amongst municipalities and intense inter-municipal competition.
<b>Belgium</b>	No specific urban policy until 1990s when the salience of urban issues rose, reflecting the rise of right wing political parties at local level, urban rioting and the growth and segregation of minority ethnic urban communities. A strongly federalised governmental system and the differential economic experiences of Belgium's three regions has produced a divergence of policy approaches with an initial focus upon physical urban renewal in Wallonia, urban safety and poverty in Flanders and a mixture of the two in the Brussels region. The policy focus in the latter two regions has shifted recently towards an emphasis on quality of life issues (on one hand social control, on the other the attraction of high income residents and high value firms).
<b>Canada</b>	As in the US, Canadian federal government support for sectoral programmes whose main beneficiaries were urban areas has dwindled since the 1970s. The key relationship in urban policy development is therefore between provincial and municipal levels of government. The provinces, which are constitutionally superior in this relationship, have tended to pass responsibility for addressing key urban issues (sprawl, declining city centres, homelessness, transport, cohesion) to the municipalities and in some cases have led processes of metropolitan government re-organisation in the attempt to create new 'units' that can do so more effectively. There remains an unresolved debate, however, about how greater sharing of urban policy responsibilities between levels of government could improve the competitiveness and liveability of key urban areas.
<b>Denmark</b>	A good example of the importance of implicit rather than explicit urban policies. The latter remain relatively weak, with limited support from national government for programmes of urban renewal, focused upon tackling neighbourhood decline and social fragmentation. The former, traditionally based upon redistribution and the development of local government's role in the national welfare state, began to shift in the 1990s with a series of initiatives (airport development, strategic use of state land assets, creation of bridge/tunnel link between Copenhagen and Malmo in southern Sweden) that had the effect of strengthening the competitive position of the capital city-region.
<b>Finland</b>	Little in the way of specific, overt urban policy but urban areas have been seen as key to a strong technology-orientated spatial policy that has been especially successful in the Helsinki city-region and is now being used to try and promote balanced spatial development across the country as a whole. Relatively lightly funded. Fits into a system of inter-governmental relations in which there is strong local authority 'home rule'
<b>Eastern European accession states (Czech Republic, Hungary, Poland, Slovak Republic)</b>	Little in the way of explicit urban policy as yet. Policies for urban areas dominated thus far by need to manage the transition to market economies, deal with its economic, social and physical consequences, build the professional and representative capacities of sub-national authorities and cope with the delayed but rapid growth of suburbanisation and the depopulation of certain urban centres (particularly their low quality residential areas).
<b>France</b>	Focus of urban policy has been on institutional innovation and the creation of institutional capacity, in a highly fragmented local government system, through (a) statutory encouragement of various forms of inter-municipal co-operation, (b) the provision of national government incentives through central-local contracts, and (c) the development of additional mechanisms for citizen and stakeholder engagement

	in local governance. Depending upon local conditions, the strengthening of governance is seen as a means to address issues of urban unemployment, economic development and segregation. Urban policy innovation has occurred in parallel with a sustained programme of governmental decentralisation and the progressive abandonment of regional policy initiatives that previously sought to encourage greater economic balance between the capital city-region and provincial centres.
<b>Germany</b>	Urban policy developed in a context characterised by a highly federalized governmental structure, strong fiscal equalization mechanisms, a deep national commitment to the preservation of a balanced urban system, the need to manage the consequences of German re-unification and, recently, relatively late (by European standards) processes of de-industrialisation. Urban policies as a result have focused upon experimental 'state-down' and 'bottom-up' attempts to improve competitiveness and manage the physical and social consequences of industrial decline and depopulation through the repositioning of cities and city-regions to attract public and private funding within a set of well-established institutional relationships that are difficult to reform.
<b>Greece</b>	Little in the way of explicit urban policy. Urban programmes dominated mainly by the need to deal with the consequences of poorly-regulated patterns of market-driven urban development and the demands it generates, e.g. in terms of the provision of infrastructure. The limited financial capacity of local authorities to support urban development programmes has been eased to some extent by EU funding but Greece
<b>Ireland</b>	Weakly developed overt urban policy, focusing mainly upon commercial and residential urban renewal. EU programmes have been instrumental in supporting these efforts but their effects have been overshadowed by high rates of national economic growth, the impetus this has given to rapid and lightly regulated suburbanisation and associated growth in housing costs, congestion and segregation.
<b>Italy</b>	No formal urban policy until 1990s. Weakly developed since then as statutes for metropolitan reform remained unimplemented or partially implemented. Lack of co-ordination between national, regional and local levels of government means that urban programmes are piecemeal and dependent upon individual municipal efforts, hence dependent upon unevenly-developed institutional capacities.
<b>Japan</b>	Traditional focus in spatial and industrial policy on reducing inter-regional differences and relieving pressures caused by agglomeration in core urban areas. With the economic crash of the later 1990s, this policy regime has been revisited and the importance of key metropolitan areas to national economic recovery both recognised and supported, for example through an Urban Renaissance programme.
<b>Netherlands</b>	First formal urban policy developed in mid-1990s in response to de-industrialisation and economic crises/related social difficulties in the major cities. Initial focus on the 'gateway' functions of Randstad cities, especially Amsterdam and Rotterdam. Subsequently extended both geographically (to other urban centres in the Netherlands) and functionally (to social as well as economic/physical renewal). Resulted in strengthening of 'compact city' strategies of major cities but dilution of spatial focus. Ambitious programme of metropolitan governance reform failed but push for greater strategic, inter-governmental policy integration carried through. Subsequent national economic recovery and renaissance of major urban centres, along with high profile breakdown of social harmony in Dutch cities resulted in more recent urban policy focus on social order, integration of minority ethnic communities, education and citizenship
<b>Portugal</b>	Urban programmes largely driven by EU funding and priorities. No explicit urban policy until late 1990s and the introduction of the National Spatial Planning and Urbanism Act and the subsequent establishment of a Ministry of Cities, Territorial

	Planning and Environment. Policies for cities nonetheless remain fragmented, horizontally (between different sectoral policy areas and municipal jurisdictions) and vertically (between different levels of government).
<b>South Korea</b>	Spatial policy in Korea has largely focused upon trying to decentralise population and economic activity from the overwhelmingly dominant capital city-region (around Seoul) through various controls upon and/or incentives for industrial and commercial development and the siting of higher education institutions and activities. The fact that it has been largely unsuccessful in reducing Seoul's influence upon the national economy, combined with debates about its importance in linking Korea into international circuits of trade and commerce, however, are beginning to trigger a rethinking of this approach.
<b>Spain</b>	Little in the way of formal, national urban policy. Urban initiatives given momentum by EU programmes and, to varying degrees, the devolution of powers and responsibilities to the regional scale. Complex division of responsibility between national, regional, metropolitan and municipal levels has meant that recognition of urban potential and problems has been dependent upon the development of joint programmes of activity between levels of government.
<b>Sweden</b>	First specific national urban policy introduced in 1998, focusing upon problems of social segregation in the country's three main metropolitan areas (around Stockholm, Gothenburg, Malmö). 1 <sup>st</sup> phase focused upon housing. 2 <sup>nd</sup> phase focusing upon localised economic growth and development. Fits into a highly decentralised local government system and a lively, but as yet unresolved, debate about the extent to which the capital city-region around Stockholm is being 'drained', through the operation of fiscal redistribution mechanism, of resources that could be used to support its development.
<b>United Kingdom</b>	Forty-year history of explicit urban policy, initially focused upon 'filling holes in the welfare net' but subsequently, from the late 1970s, concerned primarily with the economic, social and environmental consequences of industrial restructuring. Mainly focused upon 'problem' areas within the larger conurbations. Constant changes in area-based initiatives and delivery arrangements; little continuity, sustained investment. With recent urban renaissance, signs of a longer-term, less problem-focused approach in which inter-governmental approaches to the development of city-regions may play a larger part.
<b>United States</b>	Federal urban policy in long term decline since the high point of the War on Poverty/Great Society programmes of the 1960s. Strongly federalized systems of government, high degree of 'home rule' for municipal governments and the reliance upon labour migration and low welfare entitlements to overcome spatial economic 'shocks' mean a highly fragmented and competitive system of government in which urban policies are unevenly developed and largely dependent upon state-municipality relationships. Recent debates about 'the new urbanism' and the potential benefits of 'regionalism' (i.e. metropolitan inter-municipal co-operation) for overall quality of life have encouraged a focus upon the need for dedicated, bespoke urban policies but seem unlikely to trigger fundamental change.

## 5. Rethinking the urban policy agenda

The evidence of trends in urban development patterns and urban policy in OECD countries bears out the observations with which this paper started; that there is evidence of a growing disconnection between what explicit urban policies have typically aimed to achieve and the broader changes that cities are experiencing in the transition to a more internationalized, knowledge-based economy. Within the academic literature on urban change and governance over the last twenty years, a 'received wisdom' has begun to develop which suggests that, in an increasingly complex, 'globalizing' world, a virtuous circle not only exists between urban economic competitiveness, urban social cohesion and

effective urban governance but has become evermore important to national governments and national economic performance. (The opposite, of course, is also held to be true: that there is a vicious circle linking economic decline, social exclusion and poor governance). However the implications of this broad observation for who ‘does’ urban policy, why and how, have not been thought through fully. This is one of the key challenges that OECD is looking to face in its future work on urban policy. To conclude this paper, though, let us pose a number of subsidiary but related questions which seem to be particularly important in the light of earlier observations. These are set out below under a series of headings.

### ***Competitiveness vs. cohesion***

A growing in-principle policy concern with urban competitiveness is often seen as associated with a declining concern with social cohesion, even though many ‘urban’ policy initiatives, promoted by international bodies such as the EU as well as national and sub-national governments, have focused upon ameliorating the social and environmental consequences of economic change and addressing concerns about social segregation and/or the skewed pattern of benefits (spatial and social) accruing from economic and labour market restructuring. It is true that such policies are often dressed up in the language of ‘urban competitiveness’ but, once we probe below the surface, are more often than not primarily concerned with promoting relatively small scale economic changes in particularly disadvantaged neighbourhoods as a way of addressing social problems. Meanwhile, major public sector decisions that shape competitiveness in more fundamental ways are taken with little regard to their urban effects. The critical issue, here, is whether it is sufficient that urban policy continues to concentrate primarily upon the least ‘competitive’ places, defined by relative levels of ‘need’, or whether there is a case for recognising that not all places can or will make the same level of contribution to broader regional or national competitiveness. The logic of the latter approach would be an urban policy that is, at least in part, driven as much by ‘potential’ as need and would therefore, necessarily, be relatively selective. This perspective would, in turn, raise issues about how we understand national urban hierarchies, the effect of growth in certain cities/city-regions on others and ways in which policies can connect areas of potential to areas of need that have largely been missing from urban policy debate so far. The alternative is to accept that urban policy is and should remain primarily ameliorative and not transformational in any meaningful sense.

### ***Explicit vs. implicit ‘urban’ policy***

Closely allied to the issue of what a potential-driven urban policy might look like is the challenge of making implicit urban policy explicit; that is to say developing a clearer understanding of the contribution that a range of nominally ‘place blind’ sectoral policies make to differential patterns of urban change. There is no doubt that sectoral policies and spending patterns inevitably reward certain cities and city-regions and ‘punish’ others and there is every reason to suspect that national governments, in particular, will continue to find it politically difficult to be seen to be doing so overtly. Once again, however, we need to consider the costs of the status quo, which is that there will continue to be little constructive debate about the way in which decisions about significant public sector contributions to selective urban development – for example through infrastructure policy, research and development contracting, arts and cultural investments or the location of high level public employment – are made and to weigh this against the potential benefits of having a clearer, more predictable and evidence-based set of spatial development priorities based on realistic expectations of future growth potential.

### ***Multi-level governance vs. institutional autonomy***

A further key question deserving of more critical debate is who should ‘own’ urban policy. Every level of government appears to feel the need to develop its own set of ‘urban’ programmes, often in isolation. The price that is paid for this, in general terms, is a lack of coherence between the actions of different levels of government, difficulties in ‘nesting’ the different scales of policy development and delivery and the prospect of conflict between mutually incompatible approaches. Hence the seemingly endless debates about ‘joining up’ and ‘co-ordination’ and growing calls for the devolution of powers and resources to sub-national levels of government that are ostensibly better placed to make better informed decisions because of their greater knowledge of local conditions. The apparent attractions of decentralising responsibilities for urban policy, however, also need to take account of what is lost as well as gained by any change. Seen in relation to the sort of selective, potential-driven urban policy that is being considered here, it is unlikely that fully devolved ‘solutions’ could be more effective, not least because the active participation of national or regional governments and their constituent departments and agencies is needed to reinforce spatial development priorities, encourage collaboration between local agencies at the city-regional scale and guard against destructive forms of institutionalised competition with or between key urban areas. Even if it were agreed that a significant degree of ‘benign centralism’ is demanded by a new urban policy, then, there still remains the challenge of nesting the priorities and actions of sub-national agencies more effectively and encouraging multi-level governance to work more effectively for key city-regions.

### ***Administrative vs. functional understandings of cities***

If vertical co-ordination between levels of government is a key issue for urban policy, so too is horizontal co-ordination between local agencies. As noted in the first section, most OECD countries are characterised by the absence of a scale of intervention and/or governmental ‘units’ that match the complex patterns of movement in, around and through contemporary urban areas. As a result, and as OECD’s recent work has found, there have been a number of recent, often faltering, attempts to develop policy interventions and administrative arrangements at the level of the cross-jurisdictional ‘functional urban area’ or ‘city-region’. Given the continued inadequacy of administrative definitions of cities and the co-ordination problems that arise from them, it would appear imperative that greater attention is given, within any future approach to urban policy, to (a) defining city-regions more effectively and understanding their inter-dependencies, and (b) exploring ways in which different forms of ‘city-regionalism’ can be constructed, for example through ‘imagined territories’, informal and structured co-operation between jurisdictions, the provision of higher level incentives for such co-operation, and formal institution-building.

### ***Short vs. long-term perspectives***

A defining feature of the reactive, problem-centred approach that currently dominates urban policy is the desire for quick results, often defined in terms of electoral timescales. Any move towards a more potential-driven approach would need to develop a much longer time frame. The challenge, here, would be to consider ways in which approaches to urban policy could be sufficiently ‘embedded’ so as to be able to broadly withstand fluctuations in political leadership whilst at the same time being sufficiently flexible that such fluctuations could be accommodated. This is a difficult balance to strike and would mean the pursuit of a degree of public understanding and support for urban policy priorities that parallels the growing realisation, in relation to climate change, of the need for consistent priorities and behavioural change over extended timescales. Indeed, in light of the close relationship between future patterns of urban development and climate change highlighted at the Madrid conference, it may be that these two sets of concerns need to be more closely inter-related.

*Legitimate vs. 'post-democratic' governance of urban policy*

The final dilemma for future urban policy is one raised by Allen Scott and John Friedmann in their papers, that is the degree to which urban decision-making in an era of multi-level governance, public-private partnership and complex overlapping public policy responsibilities can be subjected to effective democratic scrutiny and popular legitimation. It is not unreasonable to posit a connection between the 'accountability deficits' that emerge from much more complex and fluid 'systems' of urban governance and a widespread, if patchy, crisis of faith in the political process amongst a growing segment of citizens across the developed world. The danger for any new approach to urban policy in these circumstances is that it is seen to rely heavily upon accommodation between elites rather than upon engagement with popular concerns. The related challenge is to develop ways of mobilizing civil society around a future vision of what more vibrant cities and city-regions could mean to individual and collective life. This is probably the hardest challenge of all but the one that might ultimately determine whether urban policy remains marginal and backward-looking or a genuine force for change.

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