

# 1. Introduction

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The authors contributing to this book gathered for the first time at the AISLo (Italian Association for the Study of Local Development) conference “City and future”, held in Napoli in December 2009. The first draft or ideas for the majority of the chapters that follow were prepared by the authors in order to contribute to the conference, and have been written in the understanding of two fundamental premises. The first is that there are substantial changes taking place in the world economy that will have powerful impacts on economic activity everywhere. While some are widely discussed economic phenomena, there are others of equal importance that relate to social practices, political systems, demography, and life-style preferences. The second is that the primary impact of these changes will be found in cities and urban regions, and that these entities are increasingly being left to their own resources as other levels of government withdraw into their own difficult situations. Hence, we offer the thoughts collected in these chapters on the important policy question of the possibilities and the strategic options that confront urban economies. The chapters address three areas of interest: competitiveness, structures of governance and innovative policy making, and include case studies.

The economic situation of cities in the European Union (EU) has been particularly difficult in recent years because of the fiscal, sovereign debt, competitiveness, viability of the Euro single currency, and future of the Southern European and Irish economies. The austerity programs that most of the EU countries are (or should be) introducing are decimating the traditional fiscal transfers from superior levels of government to cities and urban regions, leaving them to their own resources more so than ever before. Hence the policies that are introduced at the urban level of government are crucial to the future wellbeing of their citizens.

The EU is, of course, composed of 27 nations, each of which has its own laws, regulations, traditions, social structures and social practices. Hence, there is not one approach that will be suitable for all. The capability and governance structures of cities differ widely, and the relationship of the mayor’s office, the administration and the private sector varies

considerably, as does the historical experience with strategic economic planning. Nonetheless, each city functions in a system that is dominated by large multinational firms, in the same international trade regime, and is confronted by increased mobility of the most desirable factors of production; both capital and skilled workers. For this reason we can discuss some issues that relate to the competitiveness of the local economy of most of the cities in the EU in a way that will have relevance to all of them. This is what the authors of the chapters of this book have endeavored to do. The experiences they provide have general relevance, even though they may have taken place in North America or Asia, as well as in various parts of the EU. It is our hope that city planners and officials will find something of interest in what we have written.

## A COMMENTARY ON THE CHAPTERS OF THE BOOK

The chapters that follow are grouped into four categories that are of particular importance for urban economies: competitiveness, governance, innovation and social issues. The issues of the book are raised comprehensively in the *Competitiveness* section with the chapter by Kresl (Chapter 2) who sets out clearly the “challenges” that European urban economies face. The principal challenges are emerging market economies, increasing cost of inputs, the aging population and confusion over the concept of the city itself. The constraints on policy options that are facing national and sub-national governments means that those urban economies will have to do much of the adjustment by themselves. The competitive situation of European cities and the disjuncture with competitiveness at the level of the nation is given specificity through work that Kresl has done on Italian cities. But these cities also have some opportunities for enhancement of their competitiveness, through restructuring of existing activities by means of application of new technologies, attracting mobile factors of production such as young, skilled workers, and using bottom-up strategic economic planning that is more suited to local conditions than the usual top-down planning of peripatetic planning consultants. In closing, Kresl raises two issues of importance: 1) should the economic development of the future be “path dependent” or should a new course be struck, and 2) can traditional inter-city relationships of competition be reconfigured to relationships of cooperation?

In Chapter 3 Ni gives us a comprehensive study of the competitiveness of the major Italian cities, and the largest EU cities, in the context of the global economy. The chapter introduces Ni’s conceptual framework and

method of analysis, and presents his results for a comparison of the world's 500 largest cities as given in his latest "Global Urban Competitiveness Report", using data from a wide variety of international and national statistical sources. At the same time, Ni points out the status of Italian cities among the world's most competitive cities in considerable detail. His methodology allows him to comment insightfully on the comparative strengths and weaknesses of individual cities with regard to: economic growth, the state of development, the density of economic activity, employment, productivity, technological innovation, headquarters functions, and cost advantage; then he continues by examining human resources, industrial structure, and so forth. The competitiveness of Italian cities varies considerably among the world's 500 largest cities, as one would imagine. Finally, this chapter gives policy suggestions to city leaders and planners for promoting urban competitiveness.

The chapter by Mollica and Hirsch (Chapter 4) concludes the section on Competitiveness with discussion of a project carried out in Italy by AISLo (Italian Association for the Study of Local Development) in collaboration with other institutions (RSO, Istituto Taglicarne, Università La Sapienza of Rome) with the intent of developing a system for urban competitiveness measurement. The project aimed to build an innovative and flexible system of urban competitiveness analysis useful for helping Italian local policy makers with their choices, and taking and monitoring their strategic decisions for enhancing attractiveness and competitiveness. The most innovative characteristic of the model is that it was developed in cooperation with a panel of Italian local administrations; it did simply reproduce a ranking of cities but aimed at understanding the reasons that are behind a certain ranking through an integrated benchmarking and benchlearning approach. This approach has obvious implications for research on cities in other EU countries.

The section on *Governance* opens with Lever's discussion of the efficacy of relations of competition and collaboration that were raised by Kresl. Lever studies the effort to create a "world city" through collaboration among a polycentric set of cities in Scotland. Competition between cities is often highlighted in "rival pairs" such as Pittsburgh and Philadelphia, Amsterdam and Rotterdam and Manchester and Liverpool. Debates about their ability to collaborate to create an integrated economy will depend not only upon their economic history and structures, but also upon their cultures, social differences and political structures. In the central belt of Scotland there has been a long history of rivalry, if not antagonism, between Edinburgh with its government, financial services and tourism, and Glasgow with its heavy industry. Economic change and globalization have forced the two cities to collaborate in areas such

as transport infrastructure, sectoral clusters and urban place marketing, to raise their profile as a world city. Lever concludes that while political and governmental structures have not been helpful (as in the failure of a case for a single international airport), the creation of a joint development body offers some new opportunities, although this in turn has created further competition between the cities and “the space in between”.

Tremblay and Klein (Chapter 6) explore governance and policy making and the role of social actors in the recent experience of Montreal. They focus on the fact that while the Montreal region does not have a formal governance framework, less formal cooperation and planning by an array of social actors in the public and private sectors have been effective in shaping the course of development of the regional economy. They argue that this cooperation has been effective because, in part, of a “culture of concertation”, the “Quebec model”, that gives a base to such interaction. The resulting inclusiveness of governance distinguishes Montreal from most other North American metropolitan areas and makes its experience of great relevance to cities of the EU. After discussing the specific situation of Montreal, Tremblay and Klein examine some theoretical aspects and a typology of metropolitan governance, and consensus building governance and the role of social actors including major institutions. They offer the Lachine Canal Zone as a case in point. Many of the institutions involved were established by government action during the 1980s, and both the business community and trade unions had major roles to play. The factor that stimulated this activity was a de-industrialization crisis that occurred in Montreal during 1981–82 that demanded action be taken. A central actor was Culture Montreal that worked with the other actors to ensure that Montreal would have a vital and dynamic cultural community – it had been argued that Montreal would “not be a city”. This instinct to cooperate and to use government proactively is in contrast to the Anglo-Saxon culture of the rest of Canada and the US.

The New York City metropolitan area has a rich history of metro-wide cooperation in policy making and in planning to enhance competitiveness. Maurrasse (Chapter 7) demonstrates that partnerships among social actors can be effective in managing the development of such a major metropolitan area. One of the primary challenges is that of responding to the reality that the resulting activities may not be of benefit to some of the municipalities in that region, with the exception of responses to natural disasters or to economic crises, such as the events of 11 September 2001 and the stock market crises of 1987 and 2008. These events brought forth short-term efforts in cooperation. The case of the New York metropolitan area presents an almost unique complexity, since its 17 million people live in three states, namely New York, New Jersey, and Connecticut.

Longer term cooperation has been achieved through entities such as the Port Authority of New York and New Jersey and the Regional Plan Association. While both entities were created in the early 1920s, the former has a mandate that focuses primarily on issues of transportation, and the latter has a more comprehensive regional economic planning mandate. The Regional Plan Association has issued comprehensive regional plans in 1929, 1986 and 1996. Both are supported by a rich array of other groupings of social actors. The planning initiatives of a complex metropolitan area such as New York City have relevance to similar regional structures in the EU, such as those of the Eindhoven Brainport discussed by van den Berg and Otgaar in Chapter 10 and the Scottish region discussed by Lever in Chapter 5.

Another approach to creating a regional unit larger than the single city is discussed by Micelli in his discussion on the experience of Venice (Chapter 8). The early 1990s brought an attempt to create a larger unit composed of Venice, Treviso and Padua. In spite of early enthusiasm, little came of it. During that decade the economic strength of the regions of Veneto and Friuli brought a new entrepreneurial spirit to the area. Now the Pa-Tre-Ve structure is being re-born; it is justified by the consequences of the single currency, competition from emerging markets and new technologies. Clearly, there is a need to respond to these challenges and the sense of industrial decline they bring. The old model of the small firms of the Third Italy may not be able to function effectively in this new environment. It is felt that the new firms and new industries will need a new administrative structure. The new needs are not just education, but bringing universities and firms closer together, making the region more attractive to skilled foreign workers, and an improved infrastructure. The larger three city structure will make it easier to find success in each of the three new needs. Clearly the cultural strengths of the region suggest a continuity with the past, but the challenge to Pa-Tre-Ve will be that of institutionalizing the commitment and creativity that the new era demands.

This section closes with a fascinating study by Shen, with regard to regional cooperation between Hong Kong and contiguous areas in mainland China. Given the administrative challenges here official joint administrative action is accomplished slowly, with the benefit to all participants being closely monitored. Urban performance depends on both urban competitiveness (internal factors) and external environment (external factors). Different external environments present different development opportunities for various cities and thus affect their urban performance differently. Shen uses Hong Kong as a case study to examine the opportunities and challenges to Hong Kong's urban development and competitiveness in the context of changing relations between Hong Kong and mainland China

after 1978. In the period 1978–97, the economic relationship between Hong Kong and Pearl River Delta (PRD) was characterized by the famous model of “front shop and back factory”. However, the growing strength and diversifying economy in PRD since the late 1990s has altered the prospect of future economic relationships between two areas. While Hong Kong’s economy has become more closely integrated with mainland China, the economic dependence of mainland China and PRD on Hong Kong has been reduced. Hong Kong will still be a leading world city in Asia and mainland China, but other cities are catching up quickly and are narrowing the gap. Hong Kong will have to compete and cooperate with other major cities in China and Asia for prosperity.

*Innovative policy making* is discussed in seven chapters. The first is the examination by Van den Berg and Otgaar (Chapter 10) of the approach to innovation that has been taken by the Dutch city of Eindhoven and its Brainport. They find that the decisive elements in a very successful initiative were the need to respond to an economic crisis of the early 1990s, some structural problems, a tradition of cooperation and planning, the presence of a major private sector entity – Philips, and national government policies that facilitated the development of partnerships and official recognition of Brainport. While action at the national level was important, the authors stress that the bottom-up approach that was followed led to the empowerment of Eindhoven and, by emulation, of other metropolitan regions. Involvement of others such as the local universities makes this a good example of the “triple helix” model of local cooperation. Geographically the regional scope was the cooperative action by three metropolitan areas in ELAt – the Eindhoven–Leuven–Aachen Triangle – three cities in three countries; the Netherlands, Belgium and Germany. However, the Brainport involves principally Eindhoven, although two provinces of the Netherlands are included. The Brainport initiative was built on the preceding Horizon Program and both have as their objective the further development of the south-eastern corner of the Netherlands into one of the top technology regions in Europe. The specific sectors that have been identified as priorities are high technology systems and materials, the creative industry and food and flowers – each of these builds on existing strengths, so this is an example of “path dependent” development. The specific programs that have been developed do in fact reach beyond the Netherlands into the other parts of the ELAt. Thus Brainport provides an example of a very complex structure of regional cooperation.

Donolo (Chapter 11) discusses the approach to innovation and sustainability that has been taken by some Italian cities with reference to governance. He discusses the various options that are available in the context of tensions between the powers of cities and superior levels of government

and also among the various components of any city's population. There is also a tension between the built city and its political and economic structures. One of the challenges is that of making sure that citizen participation in governance is maximized. Donolo also discusses the possibilities for innovative governance in the cities of today. This discussion is both theoretical and based on the experiences of some cities in Italy. It is too rich and complex to be summarized here and the reader is urged to examine Chapter 11 personally.

Sobrino (Chapter 12) presents the experience of Mexico with its energy use and sustainability and extent to which the responsibility for policy implementation has fallen to Mexico's cities, and offers some suggestions for EU cities. Oil and gas are produced in a poor region of Mexico with few of the benefits remaining there; this is the situation in many developing countries, of course. Sobrino finds that the largest cities are also the most efficient users of energy. However, efficiency in energy use does not appear to be a primary factor in urban competitiveness, but this is due rather to other factors. With regard to sustainability, he argues that there is a triad of energy-competitiveness-sustainability that can be worked to the advantage of a city and that local leaders must be innovative in realizing the potential of this relationship.

Mastropietro (Chapter 13) describes the political change that occurred in Milan during the last municipal election as a critical moment for the development of the city. After almost 20 years of a conservative administration, the city showed a gap between the economic performances and the citizens' perception of quality of life, as reported by national and international research. The low perception in quality of life is strongly related to the absence of policies aimed at involving citizens in the governance of the city and to the lack of a large strategic approach for urban development. The chapter discusses how the electoral turnout in May 2011 represented a great moment of participation for citizens, both through traditional and innovative participatory models, prefiguring a new start in the strategic approach for the city development.

Mercurio, Canonico and Iacono (Chapter 14) give us an extensive discussion of mobility and transportation infrastructure as they relate to productivity and competitiveness of urban regions. The authors relate the relevance of policy networks to the study of transportation infrastructures, the logistic advantages for an area of its periphery and accessibility, and how organizing mobility is an inclusive approach to infrastructure and development. In doing this the authors expand the notion of transport infrastructure from a physical system of road and rails, and so on, to one of a policy network that assures the city of its economic efficiency and its social sustainability. The benefits from this sort of transportation

infrastructure range from time savings and improved safety to quality of life aspects and increased tourism attractiveness. Unfortunately many of these benefits are virtually impossible to measure and this makes rational decision-making a less than scientific exercise. The existence of a broad, somewhat permanent network of social actors who support these initiatives makes it easier to consider the long run impacts of transportation infrastructure policy and to generate the broad basis of support that will make more likely political action in their favor.

Ietri (Chapter 15) discusses the demographic time bomb issue of the impact of an aging population on European and Italian cities. Despite macro-regional differences across the European Union, the aging of the population will be a crucial problem that governments will have to face in the coming decades. Ietri draws on previous research to argue that much of the impact at the urban level could bring a positive benefit to the economies of cities. The Italian case is proposed as a laboratory in which we can observe the main impacts of aging that will affect other countries in the future. But, also in Italian cities, it is possible to verify that the growing number of senior citizens will bring positive benefits to some sectors that are important for the urban economies: culture, education and the non profit sector. In certain cases the older citizens are also contributing to urban regeneration processes, with their contribution to safety, social cohesion and maintenance of public spaces. The conclusion is that city governments should see their senior citizens as a crucial asset for their economic growth, to the extent of creating policies in order to be attractive places for perspective new senior residents.

In the final chapter (Chapter 16) Kresl visits the under studied issue of the strategic planning possibilities for small cities and towns (SCT). While these entities have been generally overlooked by the research community, the author argues that they should not be for several reasons, including that many of them are well suited for the contemporary world economy and the specific challenges and opportunities it presents. Sadly, SCT find diminishing access to resources and cooperation from superior levels of government and are increasingly being left to their own resources. After examining 1) the threats to their economic success that come from globalization and advances in technology, and 2) the advantages and disadvantages of SCT, Kresl discusses the ways in which SCT can make themselves attractive to younger, skilled workers, the value of clusters for SCT, and what SCT can gain from the many studies that have been carried out on urban competitiveness. He closes with a brief review of the recent experience of the Italian SCT Bolzano.

## SOME FINAL COMMENTS

The contributors to this volume have given us a broad set of policy concerns and policy suggestions. The array of issues treated is wide, as is appropriate to the situation that confronts European populations today and for the foreseeable future. Issues of competitiveness enhancement, demography, effective decision-making and policy implementation, migration, infrastructure planning, innovation, and sustainability have been treated here; we hope in a manner that will be of assistance to city leaders and planners. In a global economy that is as open as is the one of today, cities have increased responsibility for the economic lives of their residents, and the consequences of their success or failure in implementing the most effective policies are greater than ever before.

