

**LOCALISED STRATEGIES IN
A GLOBALISED ECONOMY:
LESSONS FROM COMPETITIVE CITIES**

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**OECD Conference
Local Development and Governance
In Central, East & South-East Europe**

Trento, Italy 2005

1. INTRODUCTION

- 1.1 This paper is intended to start a discussion between Ministers, Mayors and academics about the potential contribution of cities to regional and national economic development in East, South East and central Europe. It could be called – do cities matter? It is based upon research I have undertaken recently for the British government, the European Commission and the Dutch Ministry of the Interior. It focuses upon urban policies and in particular the drivers of economic competitiveness in a number of European cities. It identifies a series of policy messages and policy principles for cities, regions and national governments. The paper is primarily based upon research in Western Europe. But the issues it raises should have resonance for policy makers in other parts of Europe.
- 1.2 The paper has a series of sections
1. Do cities still matter in a global era – and why?
 2. What's going on – urban trends in Europe?
 3. What urban policies have governments pursued with what results?
 4. How do cities work with regions?
 5. What and where are competitive European cities?
 6. What are the policy lessons for governments and cities?

2. DO CITIES STILL MATTER IN A GLOBAL ERA AND WHY?

- 2.1 In the last decade there has been a transformation in the perceptions of the role cities play within Europe. They are now high on the European agenda for a variety of reasons:
- traditionally cities have been seen in their respective national economic hierarchies. Increasingly they are seen in a wider European economic context at least;
 - there has been a rapid growth in the development of networks between cities at a European level designed to promote trading links, exchange good practice and promote the interests of cities at a European level;
 - there has been growing awareness of the contribution and potential of cities to Europe's economic competitiveness. Cities are increasingly seen as economic assets, not liabilities, which need to be exploited not only at a national but also at a European level;
 - but there has also been growing recognition of the double-edged character of much economic change in cities during this period. The search for economic growth has not always led to social equity; indeed it has often contributed to increased social exclusion.
- 2.1 So we face a paradox. Despite their growing contribution to the economic competitiveness of Europe, not all places or people contribute or benefit equally so social problems are growing in many cities. This juxtaposition of success and failure, growth and decline, innovation and stagnation, wealth and poverty, great architecture and environmental deterioration poses a major challenge to the social cohesion of Europe. Linking increasing economic competitiveness to increasing social inclusion is a crucial challenge for policy-makers at all levels of government and all social partners in all European countries.

Why are cities still important politically?

2.2 There are different views about how important cities are in contemporary Europe. Historically cities have critically shaped Europe's economic, social and institutional arrangements. But it has been argued that cities have been overtaken by events and are no longer the critical forces they once were in national economic competitiveness. The argument is based on a number of assertions. It has been argued that:

- Cities are now wholly fragmented economically, socially and institutionally and cannot be seen as united actors anymore.
- The process of metropolitanisation has made central cities obsolete.
- City networks have made traditional urban territorial boundaries obsolete.
- Global capitalism has made European cities insignificant.
- The increased mobility of labour, capital and ideas and the space of flows have made place and community less important in a globalised world.

2.3 There is something in these arguments. But there is more evidence to suggest cities still do matter - and probably more rather than less. For example, the death of cities has been predicted many times before - without it actually happening. Also the challenge of metropolitanisation has been managed without the loss of identity or role for central cities. Even in large conurbations medium sized cities are not lost. More specifically the impact of globalisation means that the nation state no longer can do everything, which gives opportunities for cities. Cities still provide hugely important facilities and services. Cities still make decisions that are critical to business, consumers, environmentalists, and poverty groups. And it can be argued that place, space and community have become more - not less - important for identity and action in an increasingly globalised and insecure world. So cities are still critical sites for identity, action and decision-making - and also crucial to national economies. Cities matter economically, politically and culturally to nations and to Europe. National and European policies should recognise and act upon this fact.

Why are cities still important economically?

2.4 Many volumes have been written and much blood has been spilt about why people and economic opportunities congregate in cities and whether the economic attractions of cities are increasing or declining. The theories and arguments are endless. Essentially the argument in favour of cities is that large urban areas have agglomeration economies that make them more efficient than other areas. Essentially they have two advantages – hard and soft infrastructure and transportation costs. First production costs are lower by being shared with common social and physical infrastructure. Second transportation and transaction costs may be reduced as a consequence of enhanced interaction between suppliers and customers located side by side.

2.5 The rise of globalisation has led some to argue that these traditional urban advantages have been reduced. Others, by contrast, argue that the death of geography, distance and cities has been much overstated and that places matter more not less. It is tremendously complicated but my reading of the literature cited in the bibliography leads me to share the second interpretation. Large urban areas exhibit agglomeration economies, which means they will remain important economically despite the consequences of globalisation.

Agglomeration economies – urbanisation or localisation

- 2.6 But crucially there are different kinds of agglomeration economies, which generate much analytical and policy debate and dispute. The two identified above referred to above are the classic, traditional urbanisation economies. But, more recently great emphasis in the analytical literature and in policy terms has been concentrated upon other urban economies, which may be termed localisation rather than urbanisation economies. Again the literature is large and complex. But the essential argument is that firms are attracted to urban areas less because of infrastructure and transportation advantages than because of the advantages of being close to other customers, suppliers and competitors where close physical location leads to shared understandings and transactions – untraded interdependencies. The weight one attaches to these two explanatory factors has important implications for analysis and policy. Despite many complexities, essentially this principle underpins the cluster analysis of Michael Porter, which has become very fashionable as a policy concept and underpins much of current understanding of regional competitiveness. However, the whole idea is contested analytically, empirically and in policy terms.
- 2.7 This is not the place for a learned discourse on this matter. But it is worth unpacking the idea and identifying some of the policy implications. They are not mutually exclusive but the relative weight attached to them in explaining – and improving – economic performance produces rather different policy orientations. The distinction between urbanisation and localisation economies is important because they lead to different ways of seeing the world. One emphasises structural factors, external forces and relationships and public actions and goods. The other tends to emphasise cultural factors, internal factors and private factors. ‘Urbanisation economies’ relates to the general economies of regional and urban concentration that apply to all firms and industries in a single location. They represent those external economies passed on to firms as a result of savings from the large-scale operations of the agglomeration as a whole. These are the forces that lead to the formation of industrial core regions and metropolitan regions. And these are often essentially publicly provided resources and assets – for example transport infrastructure, advanced education, research and development. Such advantages are often linked to external linkages and economic activities and exports and have implications for the provision of external connectivity.
- 2.8 By contrast, localisation economies are the specific economies that relate to firms engaged in similar or interlinked activities, leading to the emergence of spatial agglomeration of related firms - industrial districts, localized industry clusters etc. Such advantages tend to be cultural, local, and private - for insiders - as they emphasise innovation, learning and flexibility within and between firms. This view of economic life also tends to emphasise internal intra-regional relationships rather than external linkages and exports. It tends to explain differences in economic performance in terms of cultures, private and internal factors. There are many nuances to this debate. And we are oversimplifying enormously for the sake of debate. But some policy implications are clear. In particular the significance of and need for public and government intervention in connectivity, labour markets, innovation systems, is particularly emphasised in the urbanisation orientation – to which I subscribe.

Why can cities flourish in the knowledge based global economy?

- 2.9 The importance of European cities in the knowledge based global economy has been recently assessed by the STRIKE report prepared for the Dutch Ministry of the Kingdom and Interior relations. That report dramatically underlined the growing economic importance of cities in an increasingly knowledge based economy and emphasised the need for European and national governments policies to recognise that fact much more

- than they currently do and to build upon their potential. The global economy is increasingly knowledge based. It has several key features. Knowledge and information are its main inputs and outputs. Information and knowledge are more rapidly diffused. The knowledge economy is a network economy. There is a high premium on entrepreneurship and innovation. The knowledge economy is volatile. There are no single trajectories towards the knowledge economy. Knowledge and creativity are growing in significance as factors of production. The development of the knowledge economy is evident not only in the growing service sector, but also in such traditional sectors as agriculture and manufacturing industry. The core activity in all sectors is no longer the physical manufacture of a product, but the development of new products and production processes, the generation of new knowledge, and the devising of marketing concepts.
- 2.10 And cities are uniquely placed to contribute to and benefit from this development. European and national policy needs to recognise and exploit those opportunities. Highly educated workers are in demand. Knowledge-intensive activities require highly educated workers. Countries and regions that can attract and keep such workers have the edge. The quality of the local knowledge and educational infrastructure is gaining ground as a location factor. The growing internationalisation of education offers new opportunities for cities to attract knowledge. And networks are becoming more important in the knowledge economy. Companies need to co-operate to develop new products, techniques and concepts. But it is not only networks of companies that are needed. Strategic alliances between companies and institutions of education and research are also crucial. And new networks between regions, cities and national governments are required as well.
- 2.11 Cities will benefit from and contribute these trends in a variety of ways. The creation of knowledge mainly takes place in cities. The quality, quantity and diversity of the universities, other education institutes and R&D activities determine to a large extent the starting position of a city in the knowledge economy. Cities often have diverse economies. Urban regions with an economy dominated by service activities often have a better starting position in the knowledge economy than those specialised in manufacturing and port industries. Cities with a diversified economy are less vulnerable in rapidly changing economic circumstances. And cities with a diversified economy can become incubation places for new developments and economic innovation.
- 2.12 Cities are accessible. The knowledge economy is a networked economy. Good international, regional and multimodal accessibility is crucial for successful knowledge cities. They need good and fast access to international airports and High-Speed-Train stations, good regional linkages to other urban centres and an efficient local infrastructure network to accommodate face-to-face contacts. Naturally, knowledge cities have to have high-quality electronic infrastructure for vast and swift global communication. Urban diversity promotes creativity. Diversity fosters growth in cities especially in their most innovative sectors. Diversity fosters innovation in cities, while narrow specialisation hinders it. Cities have advantages of scale. Knowledge intensive activities take place especially in medium-large and large cities. Here there are greater economies of scale for knowledge activities, a larger market for specialised services and a larger common pool of knowledge workers. Larger cities normally have better international transport infrastructure, offer scope for international subcultures and international amenities. In addition, creative workers prefer cities with a thriving cultural life, and international orientation and high levels of diversity. Larger metropolitan areas are much more likely to attract these types of workers than remoter, smaller places.

3. WHAT'S GOING ON – URBAN TRENDS IN EUROPE

- 3.1 Cities are the best of places and the worst of places. We see prosperity, energy, creativity and innovation cheek by jowl with poverty, exclusion and deteriorating neighbourhoods. The concentration of economic, physical and intellectual resources makes many of them centres of prosperity, creativity, culture, communication and innovation - the dynamos of the European economy. Some of Europe's larger cities play important roles as the command and control centres of a rapidly developing global economy. But at the same time many cities are experiencing declining economic competitiveness, growing social exclusion and physical and environmental deterioration - making them a drain on Europe's potential economic performance and its social stability.

Diversity and commonality

- 3.2 Of course, urban Europe remains enormously diverse. There is not a single model of a European city and the challenges are not the same in every city. Important differences in their economic structure and functions, social composition, size and geographical location shape the challenges cities face. Equally, national differences in traditions and cultures, economic performance, institutional arrangements and government policy have an important impact upon cities. The problems of global cities like London or Paris are not those of medium-sized cities. Declining large industrial cities with exhausted manufacturing economies, less skilled work forces and substantial immigrant communities face different dilemmas from fast growing cities based upon high tech industries. Cities in the periphery face different economic, social and environmental challenges than those at the centre of Europe.

The causes of change

- 3.3 However, although the challenges are faced by and within cities, they are caused by a number of structural changes that are taking place outside cities and are primarily beyond their control. They are:
- economic globalisation - with power going upwards from the nation state and the loss of local control;
 - economic restructuring - which is creating divided labour markets and the Porsche-hamburger economy;
 - competition between cities, regions and nations as well as firms, with winners and losers within an as well as between cities;
 - the restructuring of welfare states with the loss of support for already vulnerable individuals, communities and areas.
- 3.4 Rapid changes in the economic environment caused by internationalisation and industrial and corporate restructuring have transformed the character of local economies. They have brought a more fragmented labour market, a decline in manufacturing and rise in the service sector, high levels of structural unemployment, an increase in part time, insecure and low paid employment, a shift in the balance of male and female employment and a growing gap between the highest and lowest household incomes. These changes are not only found in cities where the economy is in decline or during periods of recession. They are also a feature of booming economies. Growth does not guarantee an increase in the number of jobs. Instead, capital intensive production methods reduce them. And many potential workers in the most successful cities lack the skills needed in modern industries. Growing polarisation in incomes, employment quality and job security has occurred in cities with very different economic trajectories

across the European Union. These structural changes are being exacerbated by cyclical factors like global recession as well as by the enlargement of the Union through membership of the accession states in the east.

- 3.5 These forces have encouraged uneven social development which is increasingly played out on a spatial level in our cities and regions. This involves not only labour markets but housing markets and social welfare systems. It has to be tackled through many policy areas. It needs an integrated rather than a sectoral approach. Achieving the latter - an integrated approach - remains a key challenge for all governments at city, regional, national and European level. Many have not yet addressed the challenge. Some have attempted to do so. A few are succeeding. But much more needs to be done.
- 3.6 The precise forms these developments take vary by country, region and city. But they pose similar challenges to decision-makers at urban, national and European level. As a result, the major challenge for European cities into the next millennium will be to increase their economic competitiveness without at the same time increasing social exclusion. Cities, national governments and the European Commission will need to determine which urban strategies they wish to pursue and how to reconcile the two goals of competitiveness and cohesion. In the recent past governments have alternated between policies either seeking to promote social welfare or strengthening individual's or area's economies. In many countries the realisation is now growing that the two goals of cohesion and competitiveness are not mutually exclusive and that urban strategies need to focus both upon social need and economic opportunity.

What does this mean for cities?

- 3.7 Some indications about the condition of European cities in respect of social exclusion can be seen from the findings of the European Commission's Urban Audit 1, which looks at 58 cities in EU15 member states of the EU:
- City population levels are stabilising and populations at wider conurbation levels are growing.
 - The cities are becoming more international and more cosmopolitan. 10% of the population of the cities were non-nationals, around one third from the EU and two thirds from outside.
 - Cities have relatively small households and they are getting smaller.
 - Cities bear the brunt of unemployment and long term unemployment.
 - Income disparities and poverty are growing. About 25% of households had income which was less than 50% of national household income.
 - Home ownership is increasing. 95% of cities had experienced an increase in levels of ownership.
 - Cities are improving on some health indicators.
 - Crime rates are higher in cities especially northern and capital cities.
 - Service sector employment is increasing. Over three quarters of employment is now in services and less than a quarter in industrial employment.
 - Voter participation in city elections is relatively low and declining. Average voting in local elections varied enormously from 20% to 60%. But the percentage had fallen in two thirds of all cities between most recent elections.
 - Educational levels are rising. Cities lag behind at lower educational levels but most have more graduates than the national average.
 - Travel is increasing, car ownership is increasing and public transport is declining.

What urban challenges do the new EU countries face?

- 3.8 In 2004, ten new countries joined the European Union. This expansion has been the biggest the EU has ever undertaken. What opportunities and challenges will they present for an EU urban policy and for the members states themselves? Some answers are again provided by a study commissioned by the Dutch Presidency. It is crucial to recognise that the expansion of the Union will bring increased markets and opportunities and new sources of labour and creativity. It is also important to recognise there is great diversity in the circumstances within the 10, just as there is great diversity within the 15 members states. Patterns of industrialisation and urbanisation vary significantly so that there are differences within the 10 countries and their cities that are almost as great as differences between them and the 15. In particular some of the challenges facing cities in the new members states are closer to those faced in deindustrialising countries than in less urbanised countries. Many of the urban problems that can be found in West European cities can also be found in the cities of the new EU countries. However, some social problems that are typical of a West European city are less apparent in the cities of the new EU countries. But other problems are very visible in the new countries. In particular the limitations of basic physical infrastructure in terms of transportation systems, housing, road networks are critical. Traffic and environmental problems are cases in point. Large housing estates, mostly built in the period 1960-1990, often belong to the most problematic urban areas. Issues related to traffic (congestion, parking) are particularly problematic in a large number of countries, a consequence of the enormous increase in the last decade in car ownership and car use. Urban sprawl is a major problem of urban conurbations. A rundown housing stock seems to have become a prominent problem in a significant number of countries. In most cases, the post-WWII stock seems more problematic than the older stock.
- 3.9 There are many economic problems. Unemployment ranks high in all countries, with the exception of Cyprus. In all the countries the average income is very low in comparison with other new EU countries. In comparison with physical and economic problems, social problems seem to be less prominent on the policy agenda. Problems related to spatial segregation are not very prominent in most of the countries concerned. The same holds for social polarization issues. But many cities have experienced a population decline in the last decade.

How well have European cities responded to the challenge?

- 3.10 Despite the challenges presented by globalisation, economic restructuring and institutional change, European cities have substantial economic, social and cultural assets - and potential. Much remains to be done - but already much has been achieved which can be built upon. Many of the factors which attract investment and people to particular places - the quality of labour, education and training, the cultural, residential and physical environment, the planning and fiscal regimes, the communication and transportation infrastructure remain under the influence - if not sole control - of cities. They can be affected by city policies, although increasingly in particular with other actors. And there are many examples of successful responses to the new challenges. Despite the fact that levels of social exclusion in European cities may be less than in their American counterparts, a tradition of social democracy and welfare state provision, greater national governmental intervention, less fragmented urban governance and a greater role for political parties at urban level has meant that the impulse to address social exclusion is greater in European than American cities.

- 3.11 Many cities have achieved substantial physical regeneration, especially through the renovation of their city centres which offer impressive commercial, residential, cultural and retail facilities. Many cities have concentrations of intellectual resources in universities and research institutions which encourage high levels of innovation. Many play important roles as centres of communication, decision-making and exchange. Many have substantial cultural resources which are increasingly the source of economic growth and job creation. Cities also have enormous integrative potential with the capacity to encourage community participation and civic identity. And despite the growth of exclusion, many cities remain ethnically and socially diverse and offer vibrant cultural opportunities which attract visitors and residents. Within many cities there are flourishing neighbourhoods and communities with extensive levels of social capital which are the source of community empowerment.
- 3.12 Across Europe there have been many successful efforts to make cities more sustainable through innovative environmental and transportation schemes. Also, there are a range of innovative initiatives to develop partnerships and achieve integrated responses to social exclusion in many cities. And despite the growth of economic competition between cities, there has been an important growth in networking between them as they seek to trade, exchange ideas and information and share good practice.
- 3.13 Substantial economic, social and environmental challenges to European cities remain. But much has already been achieved in facing those challenges. A key aim of European urban policy should be to increase awareness of what has been - and can be - done and to encourage the institutional processes which will enable cities to build upon their assets and potential to achieve long-term sustainability. The challenge is to develop strategies, policies and instruments which will:
- improve the economic competitiveness of cities and Europe itself by maximising their economic, physical and intellectual assets and encourage innovative institutional and individual behaviour;
 - distribute the benefits of increased economic competitiveness and reduce the growing social exclusion which is both a threat to the economic competitiveness and social stability at a European level;
 - make cities more sustainable and not impose the costs of development upon their surrounding regions, the planet itself or future generations;
 - encourage innovative and flexible decision-making processes that will integrate the actions of partners in the public, private and community sectors, from European to local level, and increase synergy between existing institutional processes and resources;
 - encourage a more balanced European urban system by discouraging unnecessary competition between cities, support the needs and opportunities of medium-sized as well as larger cities across the Union, encourage better urban-regional and urban-rural linkages and encourage more effective networking between cities across the Union and between cities within regions.

**4. WHAT HAVE NATIONAL GOVERNMENTS BEEN DOING ABOUT CITIES
- AND WITH WHAT RESULTS?**

- 4.1 National policies are an important part of the context in which cities have to respond to change. The institutional, financial, planning and legislative frameworks still vary enormously between European countries. Nevertheless, three trends which transcend national boundaries are worth noting. The first is that since the 1990s the balance between national, regional and local responsibilities and powers has been changing in many European countries. In particular, there has been a growing pattern of decentralisation of powers and responsibilities to lower levels of government. Traditionally decentralised countries like Germany have continued that process. But even countries more traditionally centralised like Belgium, France, Spain and Italy have been creating or increasing the authority of regional and urban institutions during the recent past.
- 4.2 National motives varied. Sometimes the changes were in response to regional demands for greater territorial autonomy. Sometimes governments were anxious to dismantle centralised decision-making systems created in the post-war period. Sometimes national leaders were anxious to shift responsibility for difficult problems of urban economic restructuring down to local level. The degree of national fiscal support given to regional and urban institutions to face their new responsibilities varied and induced differing degrees of financial difficulties. Nevertheless, the important point is that decentralisation created greater autonomy and political space at the lower levels of decision-making, which many of Europe's most dynamic urban and regional leaders exploited to develop new political roles for themselves and new economic strategies for their areas.
- 4.3 A second general trend has been the emergence of more explicit national urban strategies in many European countries. The countries which urbanised first and hence experienced urban decline first - Britain, France and Germany - were the first to develop systematic urban policies. The process which began during the late 1960s increased in the 1980s. But the trend emerged in many other countries since. The scale and sophistication of national strategies still varies and they remain relatively under-developed in some countries, but national recognition of the importance of cities and problems strengthened throughout the 1990s and continues through this decade. They vary in detail but all are attempting to develop explicit urban strategies to improve competitiveness and reduce social cohesion through integrated, area-based and partnership based national strategies.
- 4.4 A third trend has been growing recognition of the economic opportunities for cities. This was encouraged by increased awareness of the importance of economic competition between nations and cities during the 1980s and the potentially increased pace of that process after the creation of the Single European Market. Urban leaders became more aware of the need to avoid falling behind the already successful European cities and sought to identify new economic niches in the European economy. But national leaders also became conscious of the potential contribution of cities to national economic competitiveness and performance. In particular, in many countries the contribution of capital and larger cities was acknowledged and the governmental restrictions that had been placed upon their growth by redistributive regional and planning policies in the 1970s were frequently relaxed during the 1980s. This encouraged the economic and population resurgence of many cities but also encouraged the growth of economic competition between European cities. In these three ways, national strategies guarantee that cities will remain high on both domestic and European agendas.

What impact have national urban policies had?

- 4.5 A recent report for the Dutch government tried to assess the consequences of these policies. What did it show? The first conclusion is that explicit national policy attention for the larger cities has grown during the past decade. Increased awareness of the (inter) national importance of urban and regional competitiveness, especially within the EU, and the pattern of social exclusion in cities, has contributed to this modest increase in attention. However, the general picture for national urban policies in the EU-15 is still diverse, despite continuing European integration and internationalisation. Administrative, political, economic, social, cultural, geographical and historical differences account for the great variety of national urban policies.
- 4.6 At the same time, a number of common trends and developments for groups of member states are apparent. Four member states have formulated extensive explicit national urban policies - United Kingdom, France, The Netherlands and Belgium. Six countries - Germany, Finland, Sweden, Denmark, Italy, Portugal - have put urban issues on their national agenda's, although the policy responses do not have the same critical mass as in the four above.
- 4.7 There is some evidence that empowerment of cities has become more important. There is more scope for manoeuvre for the cities and sometimes regions in the national urban policy frameworks, at least for the four countries with explicit national urban policies. The empowerment of cities is associated with more national attention for bottom-up initiatives. Traditional top-down approaches have become less popular. There are several examples of cities (independently or through associations) that have come up with initiatives and in some cases have exerted more influence on the national urban policy agenda.
- 4.8 The growing attention for local *partnerships* and the importance of *civic involvement* are unmistakably repeated themes in the urban policies of the member states. Most national governments see partnerships - among cities as well as between public and private parties - almost as a precondition for the effective delivery of national urban policies. Another major trend is the attempt to achieve more integrated approach in the delivery of national urban policies. Equally, the large number of area-based initiatives indicates that the national governments have faith in the effectiveness of these policies. However, the selection criteria, the spatial scope and the (mis)match with mainstream policies remain barriers to successful area-based policies. Several member states have developed policies to prevent intraregional competition.
- 4.9 Social exclusion is the most difficult problem to solve in most large cities across Europe. The policy responses to combat this problem differ considerably: residential and urban renewal (applied almost everywhere); more affordable housing; preventing urban sprawl and promote compact cities; supporting social mix in neighbourhoods; providing cheap public transport; integration policies of ethnic minorities; reducing dependency on state allowances. In most of the member states housing policies and (mostly) physical interventions (urban renewal and urban regeneration) are used to combat social exclusion. In some countries demolition programmes of outdated housing estates have been planned or carried in the fight against social exclusion. In most countries the integration of ethnic minorities and immigrants is increasingly considered a major issue that is most of all a challenge to cities. Integration problems are increasingly linked to social exclusion and feelings of insecurity. In a number of the relatively prosperous Western European countries explicit integration policies are now starting to form a considerable part of national urban policy making. In particular, the search for social inclusion is encouraging some cities and national governments to attempt to reduce suburban sprawl and encourage more compact cities with a variety of mixed uses.

- 4.10 National governments in several countries have shifted their policy emphasis from social, problem-led policies to economic, opportunity-led policies. In several large-scale flagship projects are important catalysts for urban revitalisation and economic competitiveness. Some member states still see spatial planning policies as a means to maintain equilibrium in the national urban system. However, others pay more attention to the international competitive position of key urban areas.

What urban policy is there in the new EU states?

- 4.11 We have seen that states from the former eastern countries that have joined the EU have particular kinds of urban challenges. What policies have they adopted towards cities? Urban policies do exist in the new EU countries. However, they show enormous diversity. In some cases the central state has or has had a prominent role. But in most cases local government authorities are now more important for the development of urban areas and dealing with urban problems. In some cases the private sector is an important player, too. The political transformations of the early 1990s meant the central state took a back seat. Now, however, in several new countries the call for more central state intervention in urban issues is gradually becoming louder.

- 4.12 In the new EU countries local initiatives seem important in most countries, while regional and national attention for urban areas is generally more limited. For the ex-socialist countries, the absence of a national urban policy is the direct result of the political and economic transformation occurring around 1990. Since then, responsibility for urban issues has been continually devolved to more local levels, to public-private partnerships, to private companies, and even to individual households. This has caused a number of challenges including the lack of coordination, the lack of attention for urban problems and urban issues, and the lack of money to assist the cities. Local government authorities are often forced into short-term thinking in order to resolve acute problems because there is no time, capacity, or money to think about more long-term and structural policies and solutions. Local governments increasingly recognize that they cannot handle the problems of their cities and urban areas alone, or even in collaboration with the private sector. Urban problems are generally not addressed by central governments; local government authorities have to do the work, and that is no easy task. Problems of fragmentation, coordination, and a lack of financial resources clearly undermine the power of the local authorities in many countries. In particular, local governments in the major cities in the new EU countries have been requesting a nationally organized urban policy.

- 4.13 The challenge of achieving good urban governance does not take the same form or intensity in every European city. The precise patterns vary from country to country and city to city partly depending upon national economic trajectory, labour market policies, welfare state policies and citizenship rights. However, despite such differences, there are a number of common financial and institutional trends which affect the capacity of cities to achieve good governance. These include :

- growing political and public concern about rising levels of public expenditure and taxation which has made national governments anxious to reduce levels of public expenditure. The pressure for financial orthodoxy has been increased by the needs of EU member states to meet the convergence criteria for EMU. There will be fewer public resources available in future - and cities will have to shoulder their share of the burden;
- as national governments attempt to roll back the public sector, there has been the increasing substitution of private for public provision in many policy sectors - in

housing, welfare, training and education, transportation, infrastructure and communications;

- a decline in service provision by single public agencies and the growth in mixed models of service delivery and public provision;
- increasing decentralisation of responsibilities - if not always resources - away from central government to regional and city governments;
- paradoxically, despite, the first four trends, the pressure for increased public services and expenditure is growing. Social and demographic changes mean there will be more old people, more single parent families, more women in the labour force, growing social exclusion. In the countries of the former Eastern bloc, in addition to problems on revenue budgets, there are huge pressures to modernise and upgrade their physical stock which will affect budgets at national government and European level.

- 4.14 The combination of these trends means that cities will face growing social exclusion but increasing financial pressures in a more complex, fragmented institutional environment. Cities will need to be more creative, more institutionally innovative in finding financial packages which will allow them to fund programmes and projects which will contribute to their economic competitiveness but reduce social exclusion. Increasingly partnership models will be required. The challenge of devising effective models of governance will become increasingly urgent.

5. HOW DO CITIES WORK WITH REGIONS?

- 5.1 This raises the question of what is the right spatial scale at which to intervene - the region, the city or the neighbourhood? This may vary across policy sectors. For example, in terms of economic policy - labour market, transport, infrastructure, planning issues - the wider regional framework might be the most appropriate spatial level. By contrast, for addressing social exclusion, the neighbourhood might be the most appropriate level. Just as policy cannot be confined to neighbourhood initiatives but must connect to the wider city, the fate of urban areas cannot be considered outside their regional context. This is particularly the case in terms of labour market. It may never be possible to find enough jobs for excluded people within the excluded community. There needs to be a strategy for the wider labour market. If area-based approaches towards excluded communities are adopted, there is still a need to develop mechanisms which link them strategically to the economic and social mainstream of the wider urban and regional areas.
- 5.2 The relationship between cities and regions is crucial - they can not and must not be separated. There is a growing recognition that economic, social and institutional links between cities and regions are becoming more complex. Just as urban regeneration cannot be confined to neighbourhood initiatives but must connect to the wider city, the fate of urban areas cannot be considered outside their sub-regional or regional context.
- 5.3 The threats and opportunities faced by cities are similar to those faced by regions and equally the challenges for regional policy are similar to those for urban policy. A recent OECD review of developments in regional policy, for example, identified the following trends:
- a shift in the goal of policy away from the simple goal of achieving regional equality to one of economic competitiveness;

- new territorial bases for regional policy, with a greater recognition not only of sub-national territories but of the role of regions in their national and international contexts;
 - the state is ceasing to be the lead actor in policy with the move towards the enabling state and broad partnerships between state, industry, and community involving the transfer of skills, new forms of joint financing and new structures based on equality rather than hierarchy.
- 5.4 These trends in regions are identical to those faced by cities and by urban policy. But in the past governments have not recognised the scope for institutional and policy collaboration between cities and regions. Cities and regions often do not function well together even though problems and opportunities typically cross urban and regional boundaries. There is not an artificial distinction between them. But typically this is not recognised which gives rise to such problems as:
- fiscal exploitation with the region using but not paying for services provided by the city;
 - the physical segregation of excluded communities with an unwillingness across the region to collaborate and share services and financial responsibility for those communities;
 - local tax regimes which encourage municipalities to compete against each other;
 - administrative boundaries which are often too narrowly drawn to make economic or social sense.
- 5.5 A key future issue for the European urban policy agenda will be the relationship between cities and regions. The fates of regions and cities cannot be regarded as separate affairs. They are closely intertwined. And increasingly policy-makers and researchers recognise that there is no economic or institutional conflict between cities and regions – their interests are complementary. Many researchers and policy makers in range of countries have focused upon the need to understand and improve the working economic and institutional linkages between them. Much research in Europe and internationally has underlined the significance of these links. Many national governments are attempting to align urban and regional policy. This is likely to be the trend of the future.
- 5.6 There are a number of threads to this argument. The first is that large cities have undergone a renaissance in both Europe and North America in the past decade. They are the drivers of competitiveness, in part because of their traditional agglomeration advantages of infrastructure, connections, skilled workforces, large markets. Improved communication has not made space or cities redundant. It has underlined some of their critical strategic functions. Extensive research in the USA has shown that cities have improved their economic performance in the past decade, that cities and their wider metropolitan areas are more connected and most important that urbanised regions have been more successful than less urbanised regions. Research on Europe has also demonstrated that urban regions have performed more successfully in the past decade than non-urbanised regions. The relationship between urban and regional performance is open to interpretation. Some economists have argued that there is simply a correlation between the performances of the two. But others have shown that urban areas do indeed drive regional economies.
- 5.7 So it is clear that large cities remain critical to regional economic performance. Cities are becoming more significant in a number of countries. Urban and regional economies are

- becoming more closely integrated. Some economists argue that weak cities weaken regional economies. More positively some argue that strong cities drive regional economies. It can be demonstrated that there are no successful urban regions in Europe which do not have successful cities at their core. In many ways cities are actually a huge proportion of regional economies anyway. Analytically it becomes increasingly less sensible in an integrating and globalising economy to separate urban from regional economies. The interactions and linkages between them make it more sensible to see them as part of a wider system.
- 5.8 Policy-makers in many countries are increasingly realising the need to understand and develop urban and regional linkages and strategies. In many member states there is a growing focus upon the wider urban and regional areas beyond the local authority. In many countries this is encouraging efforts to develop polycentric urban systems in which the larger and medium and smaller sized cities collaborate within a region. In some countries government departments are attempting to align more closely their policies for urban and regional areas. The administrative details vary from country to country. But the big picture is clear. Urban and regional areas need to cooperate more closely for their mutual benefit. Policy needs to encourage that process of collaboration and integration - formally or informally.
- 5.9 Defining cities and urban areas is complicated. There is no single agreed definition across different states. However, the fact that in many European states, the administrative boundaries of cities are often much smaller than their economic boundaries can cause problems. It creates fragmentation, which in turn can lead to economic and fiscal competition between local governments, suburbanisation and decentralisation, the exclusion of specific communities and groups from wider labour markets and unsustainable traffic patterns and land use. To address these difficulties requires greater collaboration across administrative boundaries in wider functional urban regions. In this context many countries are exploring the city-region concept. The concept emphasises the principle of partnership and joint working between a range of public and private partners across the wider economic territory, in the process overcoming narrow administrative and local government boundaries. It allows the integration of for example, housing markets, labour markets, economic development, and transportation systems, environmental strategies that cross narrow local government boundaries. The city region concept is also valuable because of its flexibility since it means that it does not impose uniformity upon member states. They vary enormously in their administrative and boundary arrangements. So it leaves the precise definition of the city-region boundaries in the hands of national and local partners. A number of countries accept that if increased strategic decision-making capacity at city-region level can be achieved it will sustainable economic, social and environmental urban development.

6. WHAT AND WHERE ARE THE COMPETITIVE CITIES IN EUROPE?

- 6.1 Cities are back at the top of the European policy agenda. After a decade of talk of crisis, cities are now seen as the drivers of economic competitiveness. Everybody - the European Commission, national policy-makers and city leaders - is talking about the contribution that cities can make to the well being of Europe and its nation states. But there is a lot more said about the competitiveness of cities than is actually proven. This section tries to throw some real light on the economic performance of European cities based on my recent research work for the UK government in over 20 European cities. They are: Helsinki, Stockholm, Copenhagen, Rotterdam, Amsterdam, Lyon, Lille, Toulouse, Dortmund, Munich, Frankfurt, Stuttgart, Turin, Milan, and Barcelona on the

continent of Europe and in the UK Newcastle, Manchester, Liverpool, Birmingham, Leeds, Bristol and Nottingham. This section does three things. It:

- Identifies the key factors that explain urban economic competitiveness.
- Show how different European cities compare in terms of economic competitiveness.
- Raises some key policy questions for cities and national governments.

What are the characteristics of urban competitiveness?

- 6.2 Urban competitiveness is the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it. The competitiveness of cities is not just about the income of firms but also how that income goes to residents. And competitiveness is different from competition. Competition can be a zero sum gain, where if one city wins another loses. By contrast cities can all increase their competitiveness at the same time, so that all cities and the national economy can simultaneously grow and benefit.
- 6.3 The following factors are really critical to competitiveness: innovation in firms and organisations; economic diversity; connectivity - internal and external; strategic decision-making capacity; quality of life.

Economic Diversity

- 6.4 The cities that are most successful in responding to economic change are those which are least dependent on a single sector. Cities that are dependent upon a single sector – whether – old-fashioned coal, steel, shipping or new-fashioned financial services, mobile telephones, culture or computers are most vulnerable to the vagaries of global economic forces. This applies as much to Helsinki, Frankfurt and London as it does to Liverpool, Sheffield and Newcastle. Munich is the clearest example of this, with the Munich mix constantly cited as the key to its success. It has strength in global and local firms, large and small, manufacturing as well as services, the old as well as the new economy. Munich constantly seeks to diversify its economic base pushing into different sectors – but not indiscriminately. There is a continuing debate about the relative merits of old versus new economies. The lesson from continental practice is that both matter. The German cities are the most successful and have still have the highest proportion of manufacturing. Stuttgart in particular remains heavily dependent upon the automobile and related industries. Rotterdam for example is not rejecting its port but trying to change it from ‘mainport’ to ‘brainport’. The message from all our cities – best expressed by the leadership in Rotterdam – was the need to diversify but to deepen existing strengths. Nobody believes a city can build on a greenfield site strength where none currently exists locally. The trick is to work with what you have and to modernise.

Innovation in firms and organisations

- 6.5 This factor is perhaps the most crucial characteristic of a competitive city. Innovation is defined as the introduction of a new or changed process, service or form of organisation into the market place. OECD estimates that between 1970 and 1995 more than half the total growth in output of the developed world resulted from innovation. And since most economic activities are concentrated in city regions, knowledge and innovation are two of the most significant contributors to the economic growth and competitiveness of cities. The European Commission has estimated that over 40% of the variation in per capita regional income can be explained by differences in innovative performance. Four features, lead to regional and urban competitiveness: Investment in modern, knowledge based physical equipment; investment in research and education; investment in

innovation; labour productivity. In all these knowledge and innovation are closely linked, the main drivers of place competitiveness. Knowledge based industries are the key to innovation and the development of world-class standards of living.

Connectivity – internal and external

- 6.6 Another feature of competitiveness is the significance of internal and external communications whether it is physical, electronic or cultural. The most successful cities have the physical and electronic infrastructure to move goods, services and people quickly and efficiently. External connections are important since exporting remains critical to success. So airports are critical. They facilitate face-to-face communication, which has been supplemented not replaced by technological communication. And a significant feature of our successful continental cities is the importance they attach to internationalisation and having city foreign policies. Munich, Rotterdam, Lyon, Helsinki, Barcelona, Stuttgart in their different ways have invested significant time and effort in international networking to raise their profile, gain new allies, expand market share, influence decision-makers, learn new strategies and practices.

Strategic decision-making capacity

- 6.7 Systems, institutions and organisations do shape competitiveness. But processes and politics matter equally. The narrative from our individual cities constantly generated the same themes: the significance of networks and relationships between key players in the public and private sectors; the importance of crucial politicians in shaping strategies or influencing key programmes; the significance of having allies to influence the decisions of regional and national governments. Economic competitiveness strategies have to be fashioned and implemented – they do not just emerge. And they take a long time to develop and to implement. Although they now become virtual clichés, it is still true that all of our competitive cities emphasise the notions of vision, leadership, partnership and politics in shaping long-term development.

Quality of life

- 6.8 It is increasingly clear that soft location factors are becoming an increasingly important part of economic decision-making. One of the constant threads of interviews with public and private decision-makers was the critical significance of attracting and retaining skilled workers to their cities. And in their calculation the quality of life for themselves and their families is an increasingly important factor. Cities with the assets of good environment, distinctive architectures, cultural facilities, diverse housing stock, access to natural amenities are attempting to preserve an improve them. Those which are not so well blessed are attempting to create them in their cities. Munich, Lyon and Barcelona have different mixes of those characteristics and their policy makers are trying to enhance them. Equally Dortmund and Rotterdam are not so privileged and are actively seeking ways of improving their offer to influence private investment and retain skilled workforces.

Economic competitiveness - how do European cities compare?

- 6.9 This section analyses the comparative performance of our cities in three critical areas of competitiveness – innovation, connectivity and skilled workforce. This is a complex area. Experts disagree about the relative merits of indicators. There is never perfect data with which to illustrate such indicators. Boundaries always present difficulties. But this chapter uses the best available evidence from the most robust sources. As a measure of competitiveness, it uses GPD per capita. As indicators of innovativeness it uses the EU innovation score for regions, which is a composite of public and private investment in R&D, percentage of the workforce in high tech activities, patents registered. For a

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measure of skilled workforce, it uses percentage of workforce with qualifications to ISCED level 3. For external connectivity we use traffic through airports and Internet connections. Finally, this section presents data from a variety of private sector surveys of the factors that shape the attractiveness of cities for investment.

6.10 Table 1 shows the GDP per capita of the top 61 cities in Europe, in order to locate our smaller sample of cities in the wider picture.

Table 1: GDP per Capita 2001

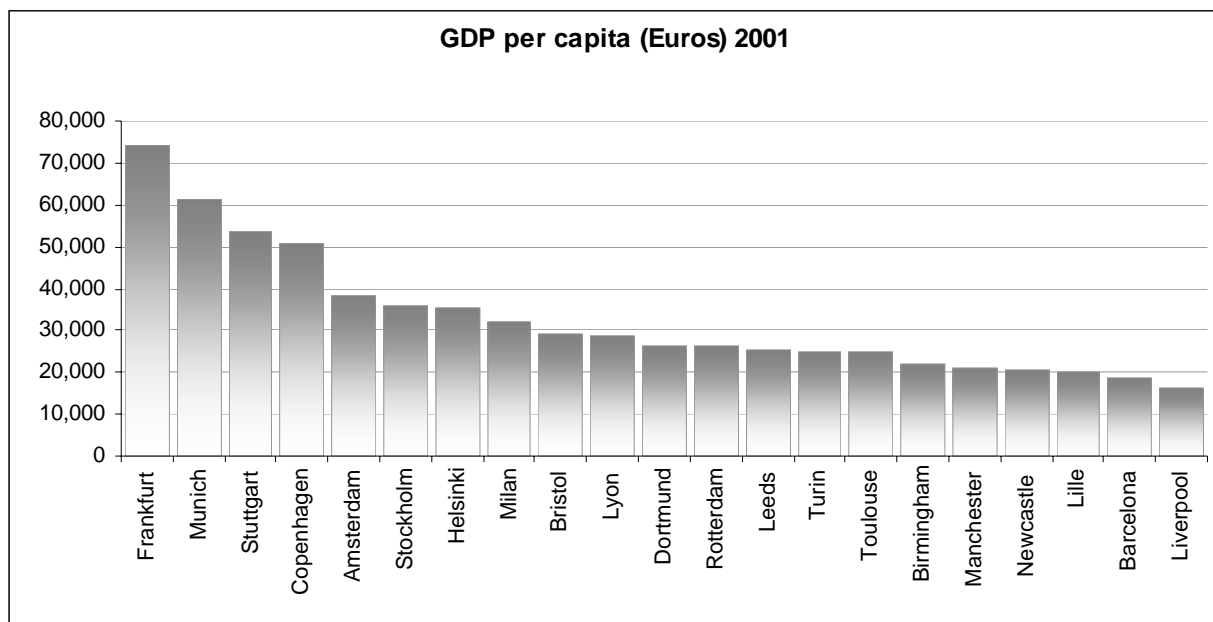
Rank	City	Euros per capita	Rank	City	Euros per capita
1	Frankfurt am Main	74,465	32	The Hague	30,110
2	Karlsruhe (Germany)	70,097	33	Essen (Germany)	29,760
3	Paris	67,200	34	Bristol	29,437
4	Munich	61,360	35	Lyon (France)	28,960
5	Düsseldorf	54,053	36	Bologna (Italy)	28,282
6	Stuttgart	53,570	37	Bochum (Germany)	27,900
7	Brussels	51,106	38	Parma (Italy)	27,491
8	Copenhagen	50,775	39	Dortmund (Germany)	26,548
9	Hanover	47,223	40	Rotterdam	26,227
10	Hamburg	43,098	41	Strasbourg (France)	26,015
11	Mannheim	41,674	42	Florence (Italy)	25,693
12	Nuremberg	41,456	43	Leeds	25,619
14	Augsburg (Germany)	39,360	44	Duisburg (Germany)	25,259
14	Cologne	39,108	45	Eindhoven (Netherlands)	25,226
15	Amsterdam	38,203	46	Turin	25,042
16	Münster (Germany)	38,149	47	Toulouse	24,852
17	Wiesbaden (Germany)	37,454	48	Rome	24,766
18	Dublin	36,591	49	Bordeaux	24,252
19	Vienna	36,572	50	Malmo (Sweden)	24,233
20	Stockholm	35,733	51	Gothenberg (Sweden)	24,065
21	Gelsenkirchen (Germany)	35,688	52	Grenoble (France)	24,026
22	Helsinki	35,322	53	Verona	23,954
23	London	35,072	54	Berlin	23,428
24	Bremen (Germany)	35,022	55	Marseilles	22,809
25	Edinburgh	35,018	56	Birmingham	22,069
26	Bonn	34,112	57	Manchester	22,099
27	Antwerp (Belgium)	33,090	58	Newcastle-upon-Tyne	20,499
28	Milan	32,122	59	Lille	20,191
29	Glasgow	31,893	60	Barcelona	18,449
30	Utrecht	31,712	61	Liverpool	16,466
31	Saarbrücken (Germany)	30,368			

(Source: Barclays Bank 2002)

6.11 Table 2 shows the relative performance of our selected sample of 23 cities. A number of features from the two tables are obvious. Capital cities tend to be at the top of the league table. Large cities tend to do well. German cities, despite the country's economic

difficulties, perform very well, with 15 out of the top 20. The UK Core Cities do not perform well. Bristol and Leeds, at 34 and 43 respectively, perform best. But several are at the bottom of the list with Sheffield and Nottingham not appearing. The majority of UK Core Cities have GDPs less than one-third of the richest cities in Europe.

Table 2: GDP of sample of European Non-Capital Cities



(Source: Barclays 2002)

How innovative are European Cities?

6.12 Table 3 shows the performance of the top 50 European regions – rather than cities - on innovation. The European Innovation Scoreboard has seven indicators: Tertiary education; Participation in Life-long learning; Employment in medium/high-tech manufacturing; employment in high tech services; Public R&D expenditure; Business R&D expenditure; High-tech patent. These have been combined to generate a Revealed Regional Summary Innovation Index (RRSII), which compares each region against the EU mean.

Table 3: European Innovation Index - Top 50 scoring regions

Region	City	Country	Rank	Score
Stockholm	Stockholm	Sweden	1	225
Uusimaa	Helsinki	Finland	2	208
Noord-Brabant		Netherlands	3	191
Pohjois-Suomi		Finland	4	161
Eastern		UK	4	161
Île de France		France	6	160
Bayern	Munich	Germany	7	151
South East		UK	8	150
Comunidad de Madrid		Spain	9	149
Baden-Württemberg	Stuttgart	Germany	10	146
Sydsverige		Sweden	11	143

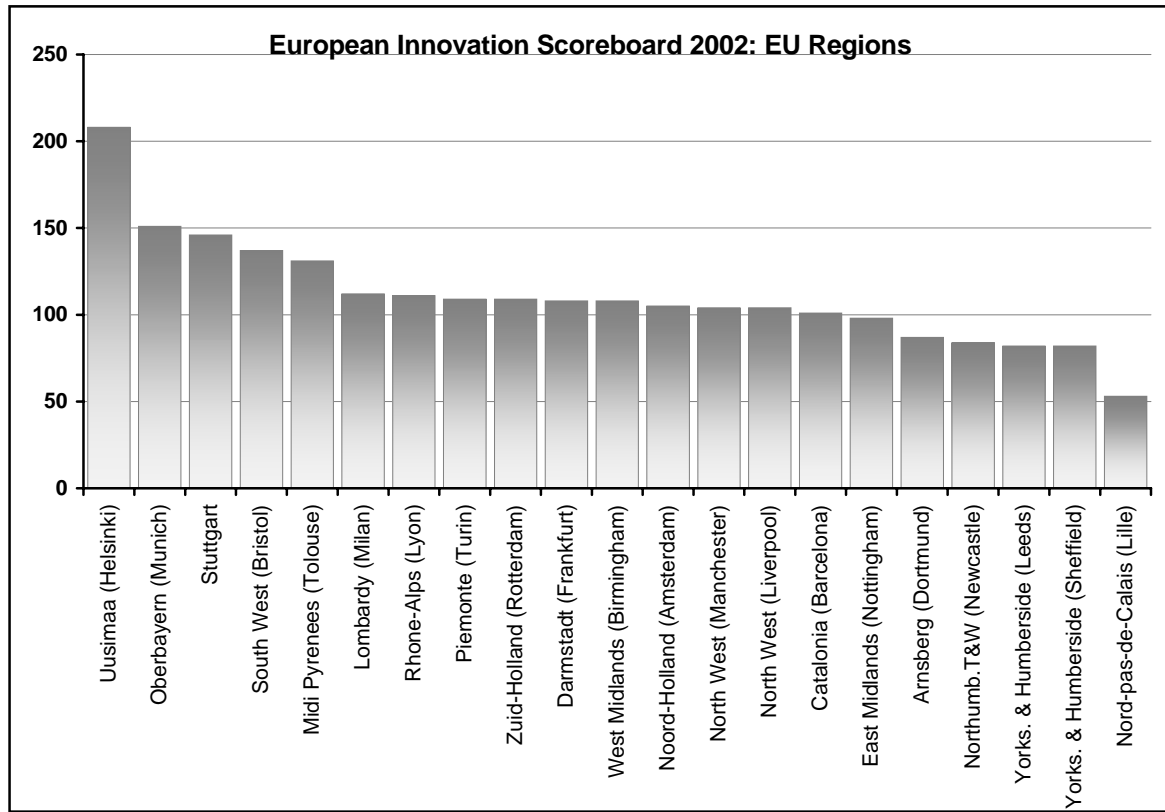
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Berlin		Germany	12	140
Östra Mellansverige		Sweden	12	140
South West	Bristol	UK	14	147
Västsverige		Sweden	15	146
Midi-Pyrénées	Toulouse	France	16	141
Wien		Austria	17	126
Etelä-Suomi		Finland	18	124
Utrecht		Netherlands	19	123
Flevoland		Netherlands	20	114
Vlaams Gewest		Belgium	22	112
Lombardia	Milan	Italy	22	112
Kärnten		Austria	23	111
Région Bruxelles		Belgium	23	111
Rhône-Alpes	Lyon	France	23	111
Lazio		Italy	26	110
Piemonte	Turin	Italy	27	109
Zuid-Holland	Rotterdam	Netherlands	27	109
Hessen		Germany	29	108
Southern and Eastern		Ireland	29	108
West Midlands	Birmingham	UK	29	108
Groningen		Netherlands	32	107
Comunidad Foral de Navarra		Spain	33	105
Noord-Holland		Netherlands	33	105
Limburg (NL)		Netherlands	33	105
North West	Manchester Liverpool	UK	36	104
Hamburg		Germany	37	103
Scotland		UK	38	102
Cataluña	Barcelona	Spain	39	101
Gelderland		Netherlands	39	101
Väli-Suomi		Finland	41	100
London		UK	41	100
Mellersta Norrland		Sweden	43	99
East Midlands	Nottingham	UK	44	98
Övre Norrland		Sweden	45	97
Ceuta y Melilla		Spain	46	95
Franche-Comté		France	46	95
Sachsen		Germany	48	94
Lisboa e Vale do Tejo		Portugal	48	94
Attiki		Greece	50	93

(Source: European Trend Chart on Innovation Technical Paper No3 EU Regions 2002)

6.13 Table 4 shows the performance of the smaller selection of cities.

Table 4: European Innovation Scoreboard



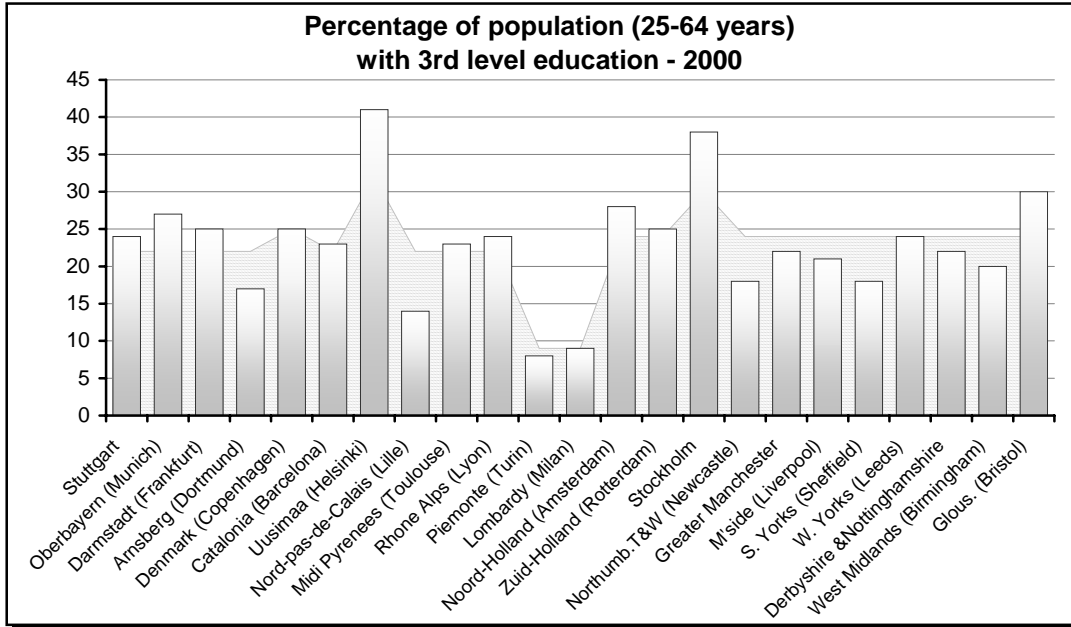
(Source: 2002 European Innovation Scoreboard Technical Paper No 3 EU Regions (2002))

6.14 Even though the precise ranking varies, a familiar pattern emerges. Northern European cities and countries perform well – Sweden, Finland, Netherlands and Germany. Few southern European cities perform well, except for Madrid. German cities as a group perform well. From the UK only London and the southeast make the top ten. Of the UK Cities, Bristol leads. But the remainder falls in the bottom 25, with innovation scores about half that of the high performing regions.

How well educated is our workforce?

6.15 Table 5 shows the qualifications of the workforce of our 23 cities in their regional context. A familiar pattern emerges. Northern European cities especially German ones perform well. Bristol and Leeds perform best of the Core Cities. But again the majority congregate at the bottom part of the league table.

Table 5



6.16 Further evidence about innovation and the quality of the labour force can be found in Tables 6,7,8. These again demonstrate the higher percentages of the workforce in high tech manufacturing, services and knowledge intensive services in continental cities than in UK cities.

Table 6

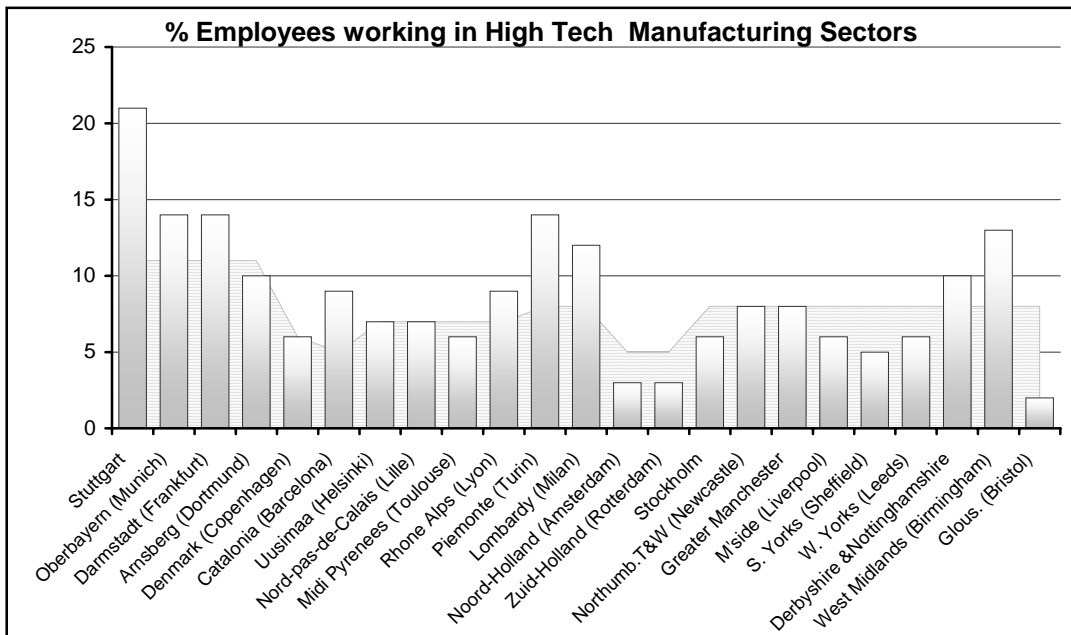


Table 7

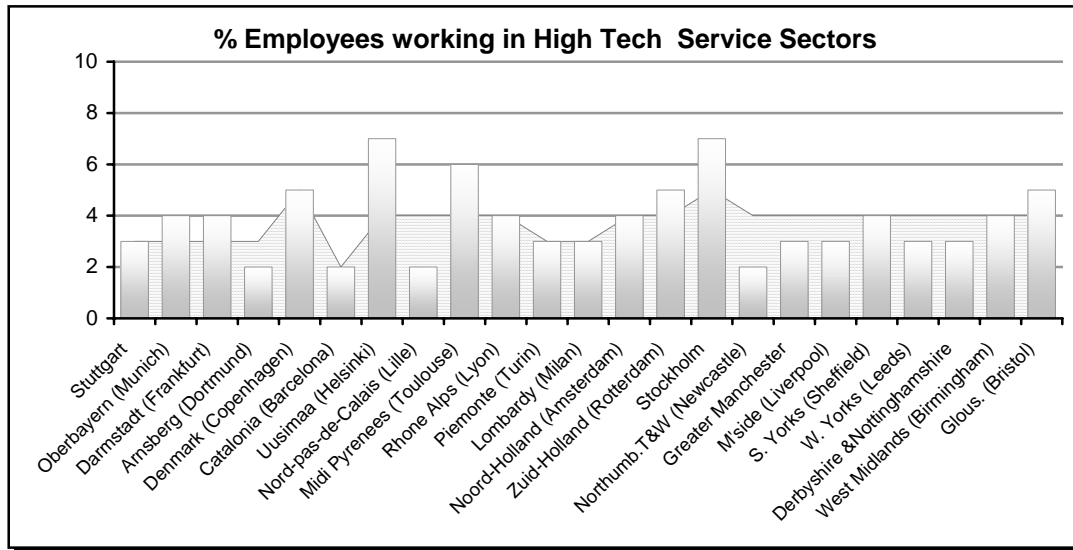
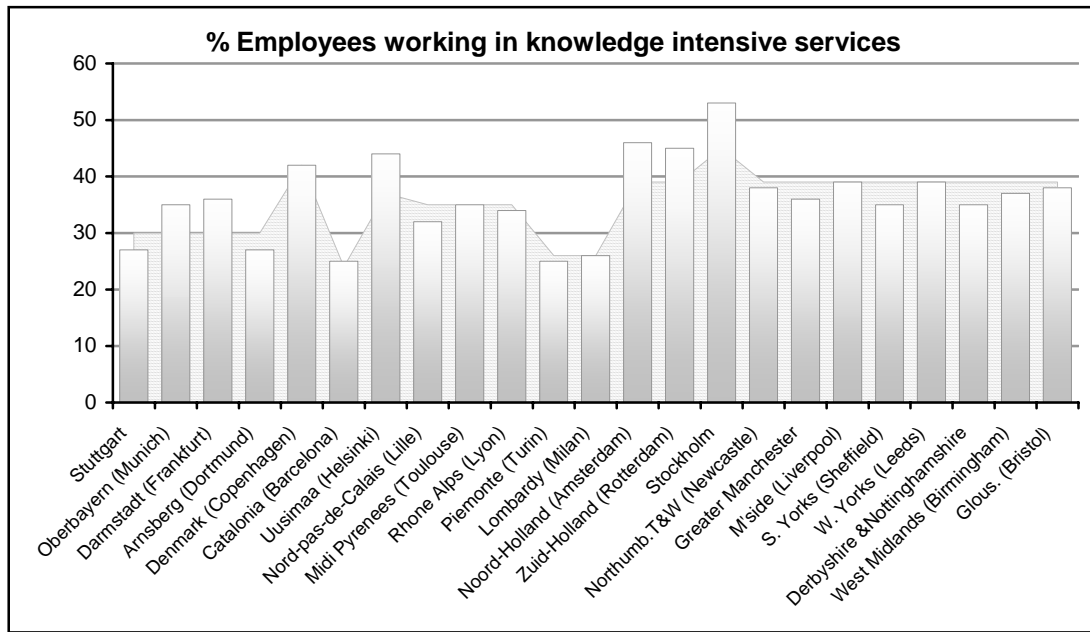


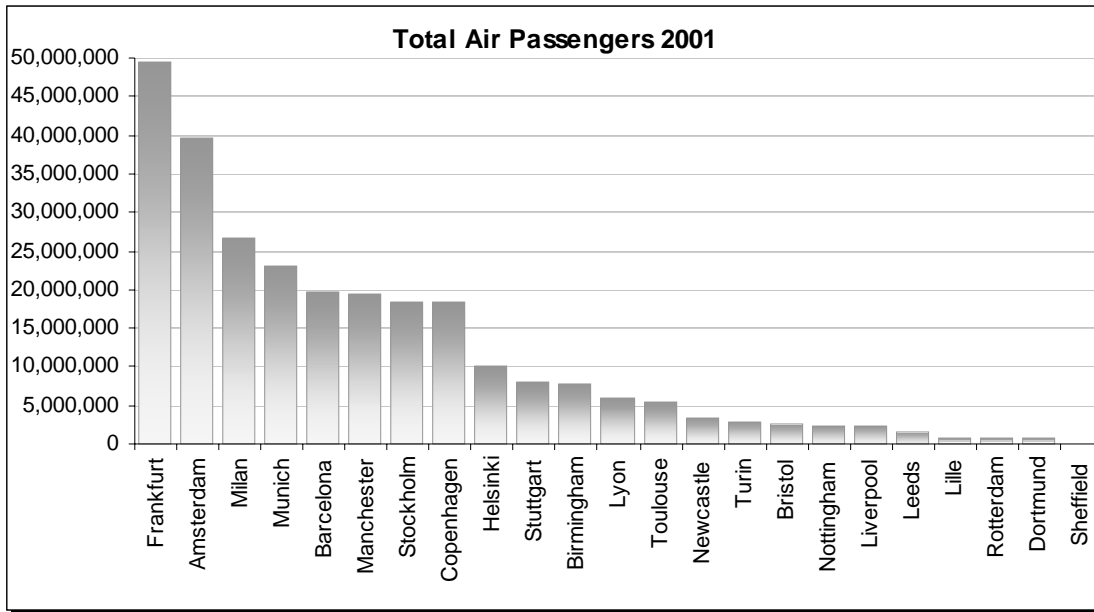
Table 8



How well connected are European cities?

6.17 We measured external connectivity in two ways, passengers through airports and Internet connections. Table 9 shows passenger transport. The familiar pattern emerges. Frankfurt Amsterdam and Milan perform well. The leading UK provincial city is Manchester. But the remaining UK Cities lie near the bottom of the table.

Table 9



6.18 Table 10 shows patterns of Internet connection. The familiar suspects emerge. The global cities of London, Paris and New York are best connected. Five of our sample continental cities appear in the top ten. But none of the UK Cities appears.

Table 10: Top 10 International Internet Hub Cities for Europe 2002

City	Internet Bandwidth 2002 (Mbps)	Rank 2002	Rank 2001	2000 Rank
London	319,475	1	1	1
Paris	227,803	2	2	3
Frankfurt	194,902	3	5	5
New York	174,180	4	3	4
Amsterdam	163,942	5	4	2
Copenhagen	109,204	6	8	20
Stockholm	94,741	7	7	7
Brussels	81,536	8	6	6
Milan	66,424	9	9	17
Zurich	51,488	10		

(Figures represent Internet bandwidth connected to European locations across international borders from Consolidated Metropolitan Statistical Areas or equivalents including cities outside Europe)

How does the private sector see European cities?

- 6.19 One critical feature of competitive cities is their attractiveness to private sector investors. The next section is based on the most reliable study of these issues, the Healey and Baker city surveys, which are commonly accepted as a robust, objective measure of cities attractiveness. Table 11 lists the cities, which were regarded as the best 30 in Europe in which to locate a business.

Table 11: The best cities to locate a business today

City	1990	2001	2002
London	1	1	1
Paris	2	2	2
Frankfurt	3	3	3
Brussels	4	4	4
Amsterdam	5	5	5
Barcelona	11	6	6
Madrid	17	8	7
Milan	9	11	8
Berlin	15	9	9
Zurich	7	7	10
Munich	12	10	11
Dublin	-	14	12
Düsseldorf	6	17	14
Stockholm	19	15	14
Geneva	8	12	15
Prague	23	22	16
Lisbon	16	16	17
Hamburg	14	18	18
Manchester	14	14	19
Lyon	18	20	20
Glasgow	10	19	22
Rome	-	25	22
Vienna	20	23	23
Copenhagen	-	24	24
Budapest	22	22	25
Warsaw	25	27	26
Helsinki	-	26	27
Athens	22	29	28
Oslo	-	28	29
Moscow	24	30	30

(Source: Cushman & Wakefield Healey and Baker European Cities Monitor 2002)

- 6.20 Several features stand out. First the global cities of London and Paris (possibly including Frankfurt) are rated the best. Second capital cities in general are the most attractive. Third, only one Core City, Manchester, made it into the top thirty. The cities that we have identified as having the highest GDP, highest innovation levels, higher skilled workforces, better external connections frequently are frequently perceived by the private sector as the best places in which to locate.
- 6.21 A further feature of this table is worth noting. There was no change in the relative attractiveness of the top 5 cities during twelve years, which were economically unstable. The hierarchy looks stable. However, it is not completely so. It is possible for cities to improve their performance. For example, Barcelona and Madrid in Spain both improved their image with the private sector, reflecting the growth and modernisation of the Spanish economy during the 1990s. But equally Copenhagen and Helsinki, which were outside the charmed circle a decade ago, have entered the private sector's perceptions as attractive for investment. In fact it was for this reason we included Barcelona and Helsinki to the original proposed list. We return to their experience in a little more detail later.
- 6.22 Table 12 provides a more detailed understanding of the ways in which the private sector judges cities' attractiveness. It indicates that the three most important features of a city for the private sector are: the quality of the workforce, access to markets and external transport links – corresponding fairly closely to those things identified earlier in this report as the drivers of competitiveness identified by researchers and policy makers. It also provides comparative rankings on those three characteristics.

Table 12: Best cities in terms of

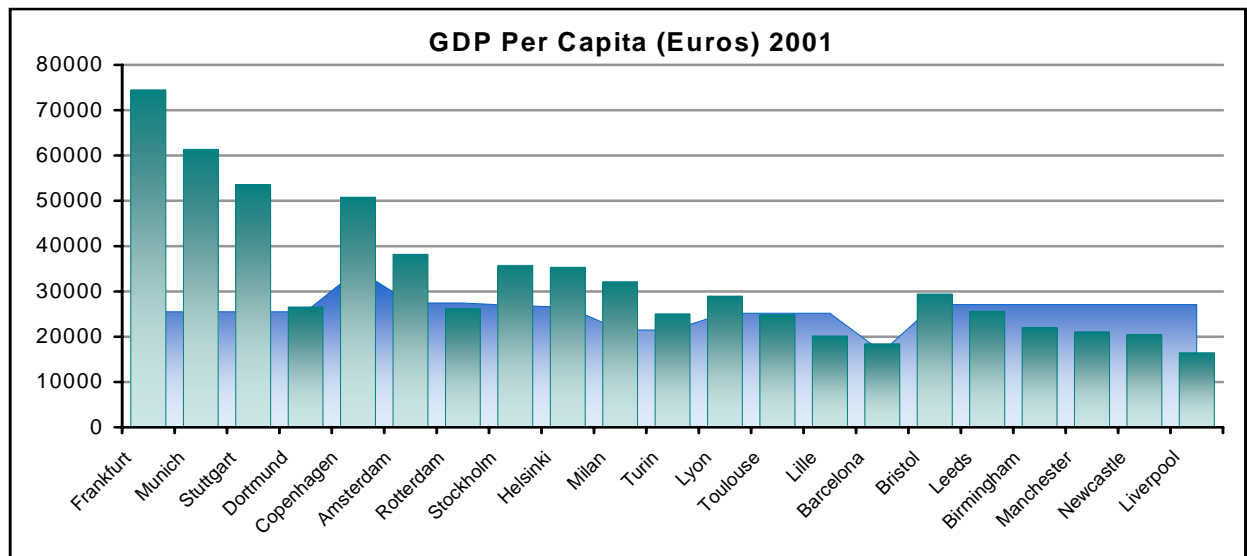
	Qualified staff	Easy access to markets	External transport links
London	1	1	1
Paris	2	2	2
Frankfurt	3	3	3
Munich	4	9	6
Brussels	5	4	5
Milan	6	6	8
Berlin	7	10	9
Amsterdam	8	5	4
Dusseldorf	9	7	11
Madrid	10	8	9
Manchester	11	11	14
Stockholm	11	23	20
Barcelona	14	14	11
Lyon	17	16	18
Helsinki	19	28	29
Copenhagen	22	20	14

(Source: Healey & Baker European Cities Monitor 2002)

Is the problem national or urban?

6.23 One question which immediately arises from this data, is whether the UK cities perform relatively poorly because the UK national performance is poor or whether the cities themselves are under-performing. Table 13 provides evidence on this. The picture is very clear. The competitive cities in our sample considerably outperform their national GDPs. Recent improved performers like Helsinki or Barcelona match or beat their national performance. The cities we included in the study as comparable to the Core Cities - Dortmund, Rotterdam, and Lille - perform less well, as we would expect. But with the exception of Bristol, the UK Core Cities lag significantly behind the UK average. Just as the continental cities in our study are arguably leading their nation's performance, arguably the Core Cities are constraining the UK performance. The implication must be that if the Core Cities could improve their performance to match that of their continental counterparts, the gains to the UK national economy would be enormous.

Table 13. National and Urban Economic Competitiveness: A Comparison.



7. WHAT ARE THE KEY POLICY MESSAGES AND PRINCIPLES: FOR GOVERNMENTS AND CITIES?

What policy messages?

The urban hierarchy is stable - but cities can improve quickly.

7.1 A key question for cities is the extent to which they can improve their relative performance in relation to their European competitors. The evidence underlines that there are structural characteristics of competitiveness, which are acquired over a long period of time and not lost quickly. The cities, which performed well a decade ago and were well regarded by the private sector as places to do business a decade ago, still head the league table. Nevertheless, there is evidence that cities can change their performance. The quantitative evidence showed how in Spain Barcelona and Madrid had improved their position as had Helsinki.

- 7.2 What was the lesson from Barcelona and Helsinki? In fact it is an interesting illustration of the difference and links between urban renaissance and urban competitiveness. Barcelona has become widely seen as a model of economic recovery. But it should be understood that its achievements have been in the field of urban renaissance. Since entry into the European Union, Barcelona leaders have pursued a long-term strategy to reconstruct the city to capitalise upon its strategic location, cultural and natural environmental advantages, starting with the Olympics, which were used creatively to reconstruct much of the physical environment of the city and transform its international image. Clear political leadership and a sophisticated planning strategy have achieved a great deal.
- 7.3 A recent internal review of the city listed its strengths as experience of transforming physical infrastructure, managing prestige projects, the quality of its architecture, its city centre, the wealth of design specialists, its cultural achievements, its international connections, its sophisticated urban planning system. These are clearly true. But it was also recognised in the strategic review that in terms of hard edged competitiveness, the city remains some way behind the heavy hitters of northern Europe. GDP is lower. Productivity levels are lower. Innovation levels are lower. Educational levels are lower. ICT facilities are not that well developed. Banks are conservative and venture capital is not readily available. Despite the size of student numbers, universities do not well serve the needs of the local economy. The city has maximised its assets and achieved what it could in the areas of urban renaissance. But it has much more to do to improve its economic competitiveness.
- 7.4 Nevertheless, Barcelona's achievement should not be underestimated. Physical and strategic renewal has changed its internal and external image and improving the renaissance features of the city has made it more - not less - likely that it will be able to achieve greater long term economic competitiveness by attracting investment and by improving its skill base.
- 7.5 Helsinki is another example of a city which has dramatically changed its fortunes during the past decade. Ten years ago because of the collapse of the Soviet Union, its main trading ally, Helsinki was in deep economic recession. But leaders in the city used that period to devise a new economic strategy built upon communications industry and depending upon close links between the city Nokia, and the universities which has made it a global player. Helsinki has risen quickly in the perceptions of the private sector and scores highly in the innovation stakes.
- 7.6 In a longer term it is also instructive to recall the experience of the three most successful non-capital cities in Europe – Frankfurt, Stuttgart and Munich. Fifty years ago all had been virtually destroyed. Indeed, there is a strong view in those cities that this destruction of older industrial structures and attitudes encouraged the view in the cities that change, innovation, reinvention was both desirable and possible.

Cities lead nations

- 7.7 There is extensive evidence from continental Europe that urban renaissance is taking place. The demographic data clearly demonstrated the revival of cities as places to live. Cities are increasingly seen as areas of potential opportunities not liabilities. There is a growing recognition amongst national and local policy-makers in the countries we examined that cities are the dynamos of their national economies. Of course, this belief manifests itself in very different ways in different countries. But for example, the French national government's long-term investment in hard and soft urban infrastructure has made a major contribution to their economic performance. The Netherlands, with a population of 16m, recognises that its 4 large cities are critical to its economy and the

national government has a separate policy for dealing with them – the large city policy. Cities have a major part to play in national policy and frequently are the testbeds for policies, which subsequently become adopted as national policy. This is clearly the case with Rotterdam whose experiments with neighbourhood based initiatives and more recently its efforts to increase security in the city have much influenced national government policy. This again clearly supports the Core Cities position about the need to support and invest in cities as economic dynamos.

Successful cities - successful regions?

- 7.8 The question of the relationship between successful cities and successful regions is a challenging one, which raises a number of policy and analytical issues. However, some things are clear from our work. Views in our cities confirm the results of the quantitative analysis presented earlier. This made clear that the most competitive regions also had the most competitive cities. Conversely we found no examples of successful regions which had unsuccessful cities at their core. Many policy-makers believe that cities actually lead their region's economic performance. There is not a conflict of interest between cities and regions nor should there be one between urban and regional policy.
- 7.9 There is also a consensus across many of our cities that although regions matter, they are often too large an area at which to tackle economic competitiveness. Sub-regional approaches are increasingly being adopted, even in federal Germany, where Lander of 16-18 million are seen as too distant from economic realities on the ground to be the sole player. In all our cities and countries there is growing concern to create the right relationships between regions and cities. The question of the appropriate spatial level at which to tackle economic competitiveness issues is an increasingly growing concern. Just as there is an agreement that the city is too small a space to tackle these issues, there is a growing view that in some cases the region is too large.

Cities and sub-regions

- 7.10 The appropriate relationship between cities and their economic hinterlands is an important issue. We explored the variety of relationships in our continental cities. Despite the assumption that things work better on the continent, this did not prove to be the case. In fact there are a series of regional-urban difficulties that we find in the UK. These include, for example: local government fragmentation, economic competition between adjacent local authorities, worries about the environmental impact of residential and job decentralisation, fiscal exploitation of the central city by suburban service users, the segregation of excluded communities as municipalities contest to attract richer and repel poorer people and housing, failures to market the sub-region effectively, and concerns that the central city is too small to punch its weight in European and global markets.
- 7.11 This has led to growing efforts to create sub-regional working relationships between municipalities. It has taken different forms with different success in different places. In France the intense municipal fragmentation into 36,000 small communes has meant that much effort has been invested in creating Communities Urbains to encourage collaboration. But the partnership has typically been between the public sector agencies. And increasingly as is the case in Lyon, the Communities Urbains are actually too small to function as effective economic units and efforts are being made to move the Region Urbain. There is considerable political willingness to operate at the sub-regional level, but the achievements yet are modest. Barcelona has only in the very recent past managed to move its spatial and economic planning from beyond the City of Barcelona to the wider metropolitan area, producing a new strategic plan for the metropolitan area.

- Munich has created a tri-area sub-regional organisation in an attempt to do area marketing.
- 7.12 But the overall picture is that few urban areas have yet devised a satisfactory set of arrangements that capture the wider economic territory with an agreed plan. There are a series of territorial tensions with smaller municipalities reluctant to be overwhelmed by the larger city or national governments reluctant to strengthen the power of already powerful central cities. There is therefore a very mixed picture with some areas unable to devise metropolitan wide arrangements. Some have ad hoc separate agencies to undertake limited metro or sub-regional functions most typically transport, waste and environment. But in all the cities we looked at, there is a view that the core city is not large enough to serve as the basis for economic development and all are attempting to create informal strategic alliances, often led by powerful Mayors as in Lyon, Barcelona and Helsinki.
- 7.13 Equally important there have been few recent examples of regional structures being formally created to undertake the full range of economic development functions. Indeed in the Netherlands proposal to create metropolitan wide arrangements were voted down a decade ago and the experience has probably worsened intra-metropolitan tensions. The important exception is Stuttgart. At the height of an economic crisis a decade ago, at the behest of the Lander government, it created a formal economic development organisation in which 179 local authorities voted to transfer powers and resources to the Stuttgart Regional Agency to promote the economic development of the region. There were particular circumstances in Stuttgart, including the depth of the economic crisis in the car industry and the loss of almost 200,000 jobs, which led the Lander government to propose the solution and made local players receptive to it. The same combination of circumstances has not been found elsewhere. Nevertheless, the RSA's supporters argue that the new association with its powerful economic development agency has significantly improved the region's ability to cope with economic change and had been responsible for a more flexible and comprehensive regional economic development strategy.
- 7.14 One message for UK Cities is that their counterparts in Europe are convinced that to be competitive in the global marketplace in future they have to organise and act at a wider metropolitan or sub-regional level. Another message is that, despite Stuttgart's achievements, most of them have decided it is not worth attempting to create formal institutions to achieve this, since they are unlikely to be implemented. The most common view is that informal strategic alliances between willing partners which can be mobilised around agreed territories and powers and resources are better than the alternatives of acting only on a local basis or of spending a great deal of time and energy fighting unwinnable battles for formal change.
- 7.15 There is great awareness of the importance of the economic relationships between cities and regions. Everybody recognises that city administrative boundaries do not correspond with current economic realities and that the wider region or sub-region needs to be taken into account for long term policymaking. Second there are increased efforts to devise sub-regional institutional relationships so that cities and their surrounding regions can work together more efficiently, partly to manage internal issues - economic development, physical infrastructure, human capital, environment, transport issues - and partly to market their regions externally. The nature of the relationships ranges from formal to informal. Both approaches have costs and benefits. Third, these urban-regional relationships are never simple with a range of economic and political tensions making it difficult to get easy solutions. Fourth, drawing boundaries and deciding who is in who is out - formally or informally - is not simple. Different cities have worked with different boundaries. Political realities and relationships are a key consideration. But in

many urban areas there are efforts to build relationship between neighbouring local authorities, or occasionally between more distant towns and cities, which all emphasise the economic advantages derived from critical mass and increased collaboration. Working on as wide a scale upon which you can get political agreement is probably the best advice.

National and regional government matters

- 7.16 Cities have to maximise their opportunities if they are to succeed economically. But the framework set by national government matters a great deal. The experience of France is instructive. The decision to decentralise and create alternative urban centres to Paris over 20 years ago has had a major impact upon the French urban hierarchy. Paris still dominates but many of the second cities now perform well. For example our work on Toulouse underlined the importance of investment by the central state in technology and Research and Development facilities over a twenty-year period, which means that it is now one of the leading centres of innovation. Our work on Lyon underlined the critical importance of state investment in transport infrastructure and the TGV, which allowed the city to become more clearly connected to European markets. Equally clearly, the current national reluctance to allow expansion of the Lyon airport at the expense of Paris or the reluctance to extend the Lyon-Milan TGV system underlines how critical is continuing national investment in transportation to the future performance of cities.
- 7.17 The significance of national government is also underlined by the impact of national decisions to relocate key technical, educational and international organisation to both Lyons and Toulouse during the past decade, which has allowed them to raise their educational and international profile. The Dutch government has similarly recognised the significance of the four large cities to the Dutch national economy in their GSB Large Cities Policy, which focuses particular attention on the needs and opportunities of the large cities. A second point can be underlined about the relationship between national and local governments. Both France and the Netherlands have been moving towards more long-term contractual relationships between a national and local government to deliver economic performance. Germany is clearly a different case with its Federal arrangements. National government plays a less critical role. But Lander state policies are also critically important. The success of Munich was reinforced by a variety of state policies to invest in the city including its strategy of using the profits from the sale of state utilities in the 1990s to invest in high tech facilities in the city.

National policies matter – money and powers

- 7.18 Although there are differences, the trend in continental Europe is to decentralise and regionalise decision-making, placing powers at the lowest level. Continental cities have responsibility for a wider range of functions which affect their economic competitiveness than do their UK counterparts. Although it is not a straightforward relationship the evidence does suggest that where cities are given more freedom and autonomy they have responded by being more proactive, entrepreneurial and successful. Decentralisation in France has invigorated provincial cities during the past 20 years. The most successful cities in Europe have been German, which is the most decentralised country in Europe. The renaissance of Barcelona in part stems from the move towards regionalisation and the lessening of the grip of the capital city, Madrid.
- 7.19 Continental cities typically have more diverse forms of local revenue and more buoyant tax bases, which make them less fiscally dependent upon the national state and more proactive in their development strategies. Many European cities have powerful elected mayors who give clear leadership to economic development. Many successful cities

have been deeply involved in European systems and networks, which has encouraged them to be internationalist, expansionist and entrepreneurial. The mix varies but it is difficult to disagree with the view that their combination of powers and resources make continental cities more proactive, more entrepreneurial and probably more competitive. The most successful cities in Europe remain German. And they have substantial powers and resources and operate in the most decentralised national system. UK cities arguably have fewer powers, resources and responsibilities than their competitors and have been less engaged in the European project. And they have been less successful economically. The more centralised governmental, institutional and financial system must be one dimension of the underperformance of UK cities.

Cities must help themselves

- 7.20 Cities operate within a set of powerful structural economic social, physical and institutional constraints. The impact of global economic change, of national policy making powers and decision-making systems, history and geography can all place real constraints upon an individual city's capacity to perform well economically. One view about encouraging the economic competitiveness of the UK Core Cities is that it might be best to start from somewhere else! For example, cities which are in strategic locations, have benign climates, attractive natural environments, no legacy of traditional industrial structures attitudes and values, operate in decentralised systems, have access to powerful regional governments, or simply benefited from luck of the consequences of post-war relocation of private firms are more likely to be successful than cities which do not have those advantages. The experience of successful southern German or French cities underlines this point. There is no point denying those powerful realities. But that is rather a counsel of despair. Cities are not powerless to shape their economic trajectories.
- 7.21 The evidence from our successful - and currently less successful - continental cities indicates that cities need to do everything they can within their limits to maximise the critical success factors we identified earlier – innovation, diversity, connectivity, skilled human capital, quality of life and strategic decision-making capacity. Cities need to:
- Develop their long-term strategic view of their economic role and trajectory.
 - Build upon and deepen existing strengths in clusters and sectors to modernise and upgrade the functions they undertake in those economic sectors.
 - Build strategic alliances with private partners.
 - Develop sub-regional territorial alliances and initiatives.
 - Maximise their internal and external connections.
 - Develop a local innovation strategy.
 - Encourage the skilled labour force to come, stay and contribute.
 - Encourage university and city links in which universities see the importance of their economic contribution to the local economy.
 - Develop their cultural infrastructure and improve their quality of life.
- 7.22 But cities very often need support and encouragement from national government if these assets are to be maximised and their strategies to be achieved. Cities can help themselves. But they do better with national support.

What principles for future policies?

- 7.23 This paper has shown how cities are making a renewed contribution to the economic performance of Europe. A wide range of organisations - national, European and international - have developed increasingly sophisticated understandings of the challenges and opportunities facing cities and a range of policies to address them. What has been learned from the experiences of those policies so far that we can build upon for a more coherent approach to cities and urban policy in Europe in the future?
- 7.24 It is clear that the experiences of different European countries vary enormously. They have different policy traditions, practices, programmes and instruments. The balance of power and decision-making between national, regional and local governments is very different. And the circumstances European cities themselves vary enormously. The challenges faced by global cities or those at the centre of the European economy are different from those cities nearer the periphery. The challenges faced by fast-growing cities based upon modern high tech and information based economies are different from those based upon declining traditional industries with less skilled workforces which often include many immigrant and ethnic minority communities. The dilemmas faced in large cities are different from those faced in medium and smaller cities in Europe.
- 7.25 So the position is complex. Nevertheless, the experience of the past decade has generated a set of common principles about the ways that policies should be prioritised, designed, resourced and implemented. There is a core of good practice based upon local, national and European policies and experiences to draw upon to identify common policy principles. They are the basis of a more coherent approach to cities and urban policy that can be encouraged throughout Europe. Some of the principles are strategic. Others are more operational.
- 7.26 The recent experience of a range of places, policies and projects across Europe suggests the key principles for successful urban policies would include:

Priorities for urban policy

- *Policy should focus upon economic competitiveness, social cohesion and environmental sustainability to achieve balanced development.* Policies have frequently focused upon one or the other goal. The experience is that this does not work. Policy needs to focus upon opportunity and need at the same time for successful cities.
- *Policies should recognise that liveability as well as economic success is crucial to peoples' choice of places in which they want to live.* This leads to a concern with the public as well as the private realm and the quality of services offered as opposed to simply the economic opportunities that are offered.
- *Cities and neighbourhoods must become place of choice and connection rather than compulsion and exclusion.* Many cities have declines in attractiveness to people with economic and social choices. Often they have become places where people without real choices are required live. Successful cities remain or become attractive to a richer economic and social mix of people and communities.
- *Cities are important as sources of identity, cultural and connection between communities and cultures.* Cities are more than economic market places. They can encourage social integration, community engagement, and cultural recognition. This points to a wider set of policy goals than simply economics.

Mechanisms for successful urban policy

- *Policies for economic, social and environmental development in urban areas should be integrated not treated separately.*
- *Urban policy must support both places and people. Policies that support people and places are not mutually exclusive.* It is possible and desirable to have strategies that focus upon individual needs but also upon the social and physical infrastructure which make cities attractive in the long term.
- *Urban policy should adopt an integrated approach and recognise the linkages between housing, education, transportation, security, health and welfare policies rather than treating them separately.* Urban problems are not separated into functional specialisms. It is important that policies are not segregated into such specialisms. There remains a great challenge at both national, regional and local government level to make organisations flexible and integrated.
- *Mainstream government departments programmes and resources in addition to special urban initiatives are crucial to cities.* Many governments have developed special urban programmes for particular areas or particular policy sectors. These are important. But increasingly it is recognised that it the resources and policies of mainstream government programmes for all the service which affect cities- housing, education, transport, social security, security – that make the difference to urban success or failure. Those policies and the departments, which deliver them, need to be committed to urban areas if they are to succeed.
- *Cities and urban policy must have long-term support rather than short-term interventions.* Urban policy experiments are often limited in their time span. However, urban problems are long term. The evidence is that policies need to be sustained over a period of years if they are to make a difference to urban areas. Meeting urban challenges is a marathon not a sprint. There are no quick fixes.
- *Policy should balance leadership from the top by national government with leadership and engagement from below by community and local partners.* Government must give strategic leadership, vision and long term commitment to sustainable development. But the full engagement of citizens and communities is crucial to the successful ownership and implementation of sustainable urban development.
- *Government should build long-term contracts between different partners and levels of government, which focuses upon the outcomes of policies rather than upon short-term policy inputs.* Increasingly governments recognise that they have to work in long-term collaboration with partners. They recognise the importance of focussing upon the results of actions rather than controlling the contributions of local and regional partners. Increasingly contractual arrangements where responsibilities for results and sanctions and incentives appropriate to them are clear and agreed, but where local partners have freedom to determine the best way of delivering them is better than national governments attempting to micro-control local partners.

Engaging all stakeholders

- *Partnership, which engages on an equal footing the public, private, and community sectors, should be encouraged.* Partnership is desirable but difficult. Different partners have different resources. Different partners often have different interests. However, successful policy does require contribution from governments, the community and the private sector if it is to succeed. That often requires government

to actively encourage and facilitate the engagement of the community and private sectors. In particular, the engagement of 'community' in urban policy can give both legitimacy and effectiveness to government actions. But community groups frequently lack the resources of more powerful partners and hence must be empowered and supported by those partners.

- *Partnership mechanisms which engage different stakeholders must be balanced with democratic political accountability.* Partnerships can deliver many projects. But typically the partners are appointed not elected. However, elected governments – local and regional have democratic accountability. Policy-making needs to ensure that the inclusiveness of partnerships does not relegate the democratic element of decision-making.

Achieving the right spatial balance.

- *Area-based approaches where particular areas of opportunity or need in cities receive concentrated attention should be encouraged.* There is evidence that the sustained concentration of resources and attention upon carefully defined areas can make a difference to their economic and social prospects. The concentration of resources rather than spreading them thinly does work.
- *Policy should adopt a wide territorial focus which links the social challenges faced at neighbourhood level to the larger metropolitan or sub-regional economy where the problems are often created.* The problems of deprived areas cannot be solved in terms of the opportunities within those areas. Many residents need to access the jobs in the wider areas. So neighbourhood based policies need to be linked to wider regional economic processes.
- *Economic and institutional collaboration between urban and regional areas should be encouraged.* The interests of cities and regions are inter-connected. However, policy-making systems and institutions often do not recognise this. Relationships and/or institutions have to be encouraged which at least encourage collaboration not conflict between cities and regions.
- *Networks and functional collaboration between cities and polycentric patterns of development should be encouraged.* Just as the interest of cities and regions are interdependent, so are the interests of larger and medium-sized and smaller cities in regions. Cities and region benefit when the interest of larger and smaller cities are reconciled rather than the larger cities dominating decision-making and policies. Balanced polycentric development rather than functional dominance of the largest should be sought. This requires collaboration and networking rather than hierarchical or centralised decision-making.

Encouraging good practice, policy learning and capacity.

- *The need to learn from experience and good practice - nationally and internationally.* There is much good practice. It is foolish to reinvent the wheel.
- *The need to evaluate policy with robust audits of policies and places, reliable socio-economic baselines, systematic collection of intelligence and independent reviews of impact.* Increasingly good urban policy builds assessment and evaluation of policy initiatives into the process from the beginning so it is possible to know what has worked and what has not and what should and should not be done in future.
- *The need to improve the skills and capacity of professionals, politicians, community partners and the private sector involved running cities. In the final analysis the quality*

of policy depends heavily upon the qualities of policy-makers. The challenges involved in successful, policy-making require particular skills and aptitudes. Increasingly makers-makers realise that such skills need to be systematically promoted with new and existing policy professionals. This will require new relationships between players in the urban sponce and possibly new institutional arrangements.

- 7.27 Policy making for cities is no longer the responsibility of a single agency or territorial level of government. The public, private and community sectors must be engaged in successful policy-making and delivery. Equally, no single government level is fully responsible for the fortunes of cities. It is a shared responsibility. National governments, regional governments and local governments are all involved. Inevitably the particular division of responsibilities varies between member states. Nevertheless the responsibility is shared. This emphasises the fact that the policy principles outline above do not apply to a single partner or to a single level of government. They are applicable to cities, regions and national governments. Different cities and countries have had different levels of success in implementing them. The challenge is for more partners and governments to succeed in achieving them.

8. Conclusion

- 8.1 This paper has explored the contribution that cities can make to the development of regional and national economies. It has identified the reasons for their continuing political and economic importance. It has assessed the achievements and challenges cities face. It has identified ways in which national governments have been attempting too support cites. It has explored some of the tensions involved in city-regional cooperation. It has identified the drivers of economic competitiveness and assessed the performance of a range of successful European cities. It has outlined a series of policy messages and policy principles for different levels of government. Essentially it argues that cities matter to national economic and social prosperity. Yet many policy makers have not realised this - or acted upon it. Cities present an enormous challenge. But policy makers and politicians have to rise to that challenge. The prize is great.