A Synthesis Report

City Competitiveness
Santa Cruz de Tenerife, Spain, March 3-4, 2005

Attractiveness of cities
Nagoya, Japan, 2-3 June 2005

Sustainable cities
Montreal, Canada, 13-14 October, 2005
By 2007, the world will have more urban residents than rural residents for the first time in history (United Nations, 2003)
Urbanization in OECD Countries: a well advanced process

53% of the OECD total population lives in urban regions

80% including less densely populated areas in intermediate regions
Globalisation and the emergence of metro-regions

A common OECD Definition for metro-regions based on functional areas

78 metro-regions with more than 1.5 millions inhabitants
Key actors of national economies

- Produce the bulk of national GDP
  - Around 50%: Budapest, Seoul, Copenhagen, Dublin, Helsinki, Brussels, (Montreal, Toronto, Vancouver in their respective provinces), etc.
  - One third: Oslo, Auckland, Prague, Tokyo, Stockholm, London, Paris

- Higher GDP per capita...
- Higher productivity...
- Higher employment...
  - ...then their national average
Urban Assets

- Global and regional headquarters, large labour force, research institutes, accessibility in transportation and telecommunications, etc...

- Positive correlation between population size and income...

Sample of 69 OECD metro-regions with less than 10 million

Sample of metro-regions representing more than 20% of their national output

...with an advantage for capital cities (16 out of 20)
Advantages of both diversification and specialisation in high-value added activities

Strong innovative capacity

More than 81% of patents are produced in urban regions

Great endowment of human capital

Lower old-age dependency ratio

Higher level of skills

Higher capital stock per capita (physical infrastructure, transport and telecommunications, universities and research institutes, etc..)
But Metro-regions not Always Synonymous With Success!!

- A group of lagging metro-regions for almost all socio-economic indicators (e.g. Lille (France), Fukuoka (Japan), Berlin (Germany), Pittsburgh (US), Naples (Italy). ..)

- Differences with national averages not so large for a number of metro-regions

- GDP and productivity growth not always higher than national averages
But Metro-regions not Always Synonymous With Success!!

➢ Bigger means richer until…

Congestion costs?

Have big cities really important innovative capacity?

City size and income (metro-regions with over 6 million)

- 5,000,000
- 10,000,000
- 15,000,000
- 20,000,000
- 25,000,000
- 30,000,000
- 35,000,000

Population

Per Capita GDP in PPPs (USD)

- London
- Chicago
- Milan
- Munich
- Paris
- Randstad-Holland
- Osaka
- Rhine-Ruhr
- Tokyo
- Istanbul
- Mexico City
- Osaka
- Randstad-Holland
- Munich
- Milan
- Paris
- London

Patents

?
THE URBAN PARADOX

Growth and Unemployment

- Persistence of high pockets of unemployment
- Lower activity rates in urban regions (44.3%) than intermediate (49.7%) and rural (44.5%)

Wealth and Poverty

- High level of poverty in all types of metro-regions (e.g. about 50% in Mexico City, 22% in Rotterdam, 15% in Paris)
- Spatial polarisation (in 10 OECD countries, up to 10% of the population live in distressed areas)
- Exclusion of immigrants

Criminiality
(30% higher in urban regions)
Increasing role of large cities: what should policy-makers do?

Dilemma 1: *Metro-regions versus other regions*?

- Causal relationship is not obvious
- Impact on other regions is not clear
- But public intervention is necessary
  - To sustain city competitiveness and address negative externalities
  - To seek a positive sum game and develop synergy effects
Increasing role of large cities: what should policy-makers do?

Dilemma II. Which strategic vision in a market context?

- Pursue a strategy of diversification based on clusters
- Building assets of relations (universities, inter-firms, etc.)
- Provide local public goods (tangible and intangible)
- Avoid unrealistic expectations (not all metro-regions can be high tech)
- Involve a wide range of stakeholder
Increasing role of large cities: what should policy-makers do?

Dilemma III. Economic dynamism or liveable city?

- Liveability sustain competitiveness
- City attractiveness (urban renaissance strategies, FDI attraction)
- Burden of social and environmental costs
- Time is crucial and delay is dangerous
Increasing role of large cities: what should policy-makers do?

Dilemma IV. Appropriate scale or closeness to citizens?

- No best practice but considerable trade-offs in terms of benefits and costs
- Most metropolitan governance overlook the question of long term strategy
- Success depends on the public support
- Social conflicts and tensions need to be addressed
Increasing role of large cities: what should policy-makers do?

Dilemma V. Metro-regions versus central/state government?

- Higher level of governments are key for any metropolitan governance reform
- Legal basis and incentives are crucial
- New forms of vertical relationships (partnerships and contracts)
Increasing role of large cities: what should policy-makers do?

Dilemma VI. Participation of private sector actors in metro-regions' governance?

- Better to deal with trade associations than individual firms
- A metro-wide level of governance offers better chance of plurality
Increasing role of large cities: what should policy-makers do?

*Dilemma VII. Unequal burdens or distorting subsidies?*

- Need for an urban lens to local finance
- Pay more attention to perverse effects of equalisation schemes