Cities: A Challenge for National and Global Economies

Cities are home to more than half the people living in OECD countries and almost 50 percent of the output and jobs of many nations is found in their largest city. Though most cities have higher economic growth, foreign investment and labour productivity than the rest of the country, they are also more polluted, crime-ridden and socially disparate. A new OECD report, **Competitive Cities in the Global Economy** gives case studies and policy recommendations to help cities, often the drivers of national economies, continue to thrive. The book also provides a strong statistical database on the world's principal cities.

The report studies the 78 largest metro-regions in the OECD, ranging from Tokyo with close to 35 million inhabitants to Auckland with about 1.5 million. The OECD average is just over 5 million. Of the 25 wealthiest cities, as measured by GDP per capita, 22 are in the United States and the others are London (in 13th place), Paris (18th) and Dublin (23rd).

Successful cities attract talented young highly-skilled workers, are centres of innovation and entrepreneurship and are competitive locations for global and regional headquarters. The proximity of universities to research and production facilities means cities are where new products are developed and commercialised. More than 80% of patents are filed in cities.

However, cities are not always synonymous with success. Cities can falter. Berlin, Fukuoka, Lille, Naples, and Pittsburgh perform below the national average for income, productivity, skills, and employment. And there is some evidence that mega-size cities – those more than 7 million people such as Seoul, Mexico City, Istanbul and Tokyo – have outgrown the economies of scale normally associated with cities.

**Competitive Cities in a Global Economy** argues that there is no 'one size fits all' policy for cities. But the report makes recommendations that can be tailored to meet specific needs. These include:

- A flexible strategic vision is necessary to foster competitiveness, ensure a diversified range interdependent ventures, and information and transportation links between universities, researchers, technicians, and manufacturers.

- Liveable cities with high-quality infrastructure, green spaces, and inner city residential areas and public projects can contribute to economic success, attracting foreign investors as well as highly qualified professionals and tourists.

JT03219302
• Effective governance of cities depends on leadership from the national government to encourage reform, a formal government at the metro-regional level, and lower level local networks that include non-governmental actors, associations and businesses which can deal with social tensions and understand market realities.

• To balance the financial needs of cities with those of the rest of the country, cities can diversify tax revenues with ‘smart taxes’ such as congestion charges and use public-private partnerships to raise money for public projects. Equalisation payments between metropolitan regions can be effective but national equalisation schemes to redistribute resources from richer to poorer regions sometimes disregard the higher spending needs of cities and act as a disincentive to poorer regions to increase tax revenues.

To receive a copy of Competitive Cities in the Global Economy, journalists can mailto:news.contact@oecd.org.

A video about the report is available at: www.oecd.org/audiovideo/cities