

Why Territory Matters for Competitiveness and Cohesion?

Cooperation with western Balkans
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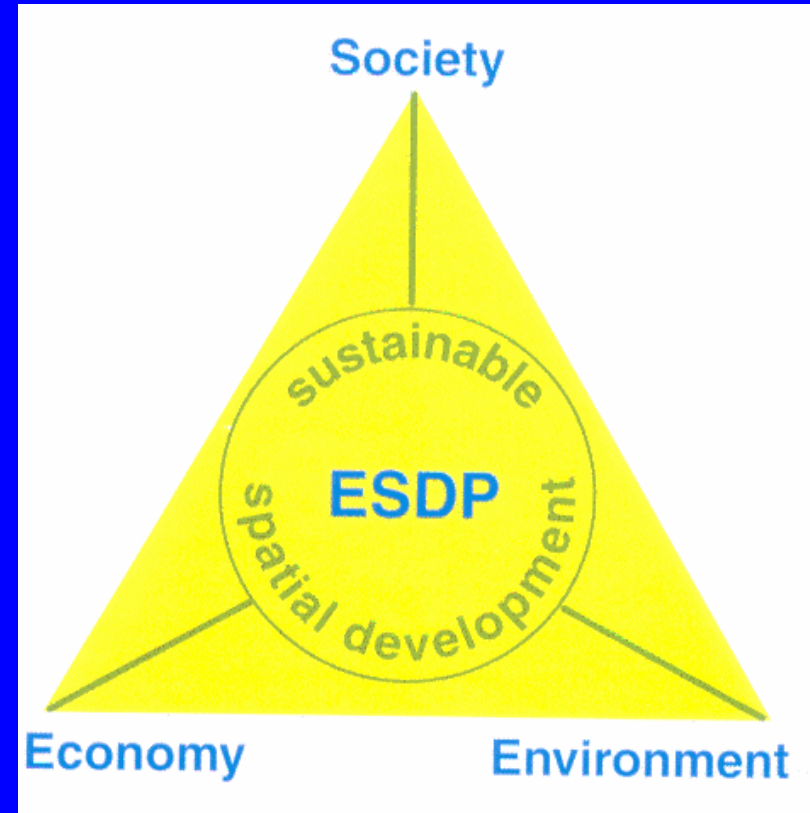


Outline

- **Why territory matters for competitiveness and cohesion?**
- **Why government policy should have a territorial dimension?**
- **Why, and in what circumstances, should governments intervene in the operation of the free markets?**
- **How territorial policies are changing?**
- **What is the significance of territorial cooperation?**

Why policy intervention?

- A framework for justifying policy intervention consists of **3 Es** (CLG, 2007):
 - Efficiency rationale
 - Equity rationale
 - Environmental rationale
- This matches the **3 pillars** of EU sustainability agenda
 - Economic competitiveness
 - Social inclusion
 - Environmental protection



The *Efficiency* Rationale

- Policy intervention is justified if there are market or government failures
- Examples of market failures:
 - Externalities
 - Provision of public goods
- Example of government failures:
 - Unintended consequences of existing policies

The Efficiency Rationale cont.

- A ‘holy grail’ of economics is to achieve *Pareto efficiency*
- It provides the underlying principle for cost-benefit analyses, but ...
- It does not necessarily result in a socially desirable distribution of resources
- “A society or economy can be Pareto optimal but still be perfectly disgusting”. (Amartya Sen)

The *Equity* Rationale

- Policy intervention is justified if the market outcomes lead to uneven distribution of resources, and if these disparities are considered to be ‘**unfair**’
- 3 types of equality:
 - Equality of opportunity
 - Equality of outcome
 - Equality of processes

The *Environmental* Rationale

- Policy intervention is justified on the ground of protecting or enhancing environmental resources.
- Environmental rationale has both efficiency and equity dimensions
 - **Efficiency:** the market under-values the environment resulting in pollution, depletion of natural resources, etc
 - **Equity:** neither access to environmental goods nor the distribution of environmental bads is universal.
- Inter-generational equity and efficiency issues.

In applying the 3E Framework

- There are often *tensions* and always *trade-offs* between efficiency, equity and environmental objectives.
- How these tensions and trade-offs are dealt with depends largely on governments' political / ideological stance

Why territory matters?

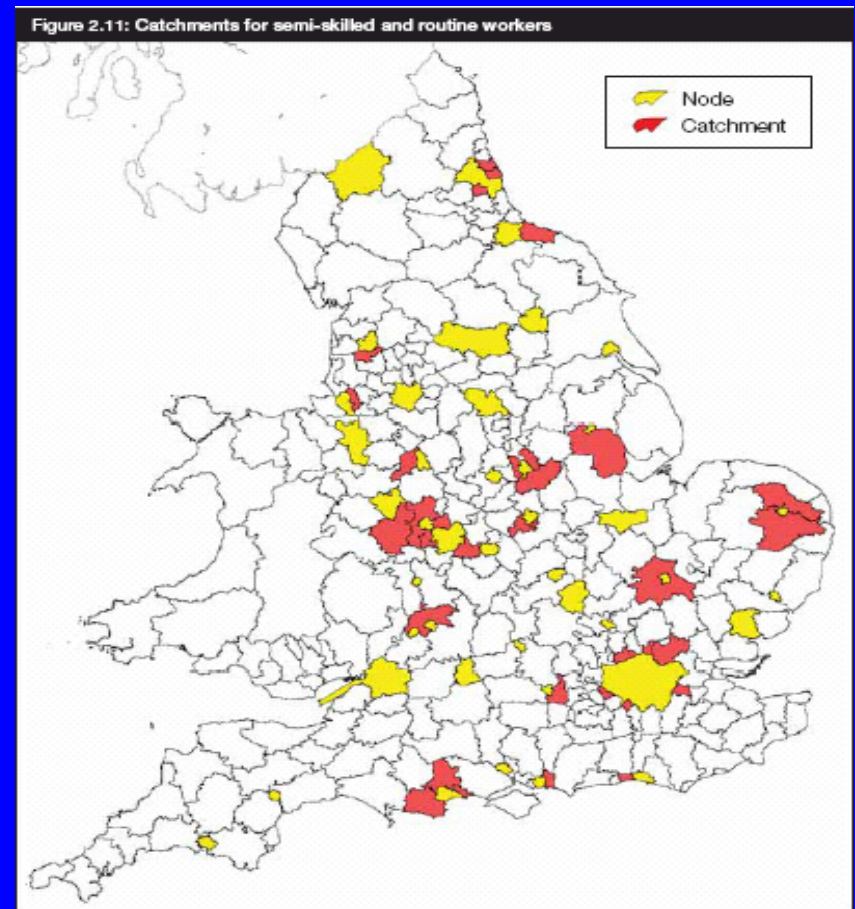
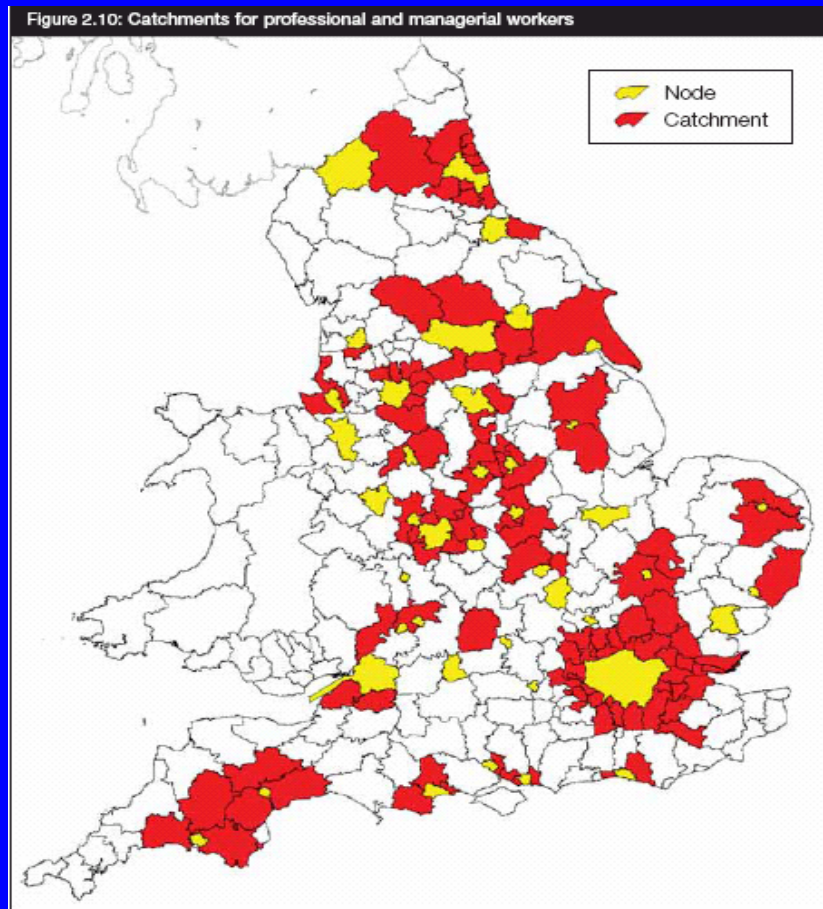
- It matters because of individual identity, social relations, cultural heritage, ...
- It also matters because of the 3E rationales for policy intervention

On *efficiency* ground, territory matters because:

- Market and government failures impact on different places in different ways
- Distribution of economic activities across Europe is path-dependent.
- Agglomeration forces interact with place-specific factors and result in different outcomes, leading to:
 - Positive externalities in some places; boosting productivity and attracting skilled labour
 - Negative externalities in others; undermining economic performance and people's life chances
- Place is a public good in itself!

On *equity* ground, territory matters because:

There are limits to people's ability to move
Not everyone is perfectly mobile!



On *equity* ground, territory matters because:

- The costs of mobility act as a barrier to people's ability to take advantage of opportunities elsewhere
- Some people will always be left behind!
 - *“People should not be disadvantaged by wherever they happen to live or work in the Union”*
(EU 3rd Cohesion Report)

On environmental ground, territory matters because:

- The costs of environmental goods vary in different places (efficiency dimension)
- The distribution of environmental bads is uneven across places (equity dimension)

Territorial-based policy intervention is justified,

- A) When spatial market and government failures undermine economic performance and welfare
- B) If people are disadvantaged by where they live, or constrained from taking advantage of opportunities elsewhere
- C) If there are environmental implications of spatial disparities, or equity issues in the distribution of environmental bads

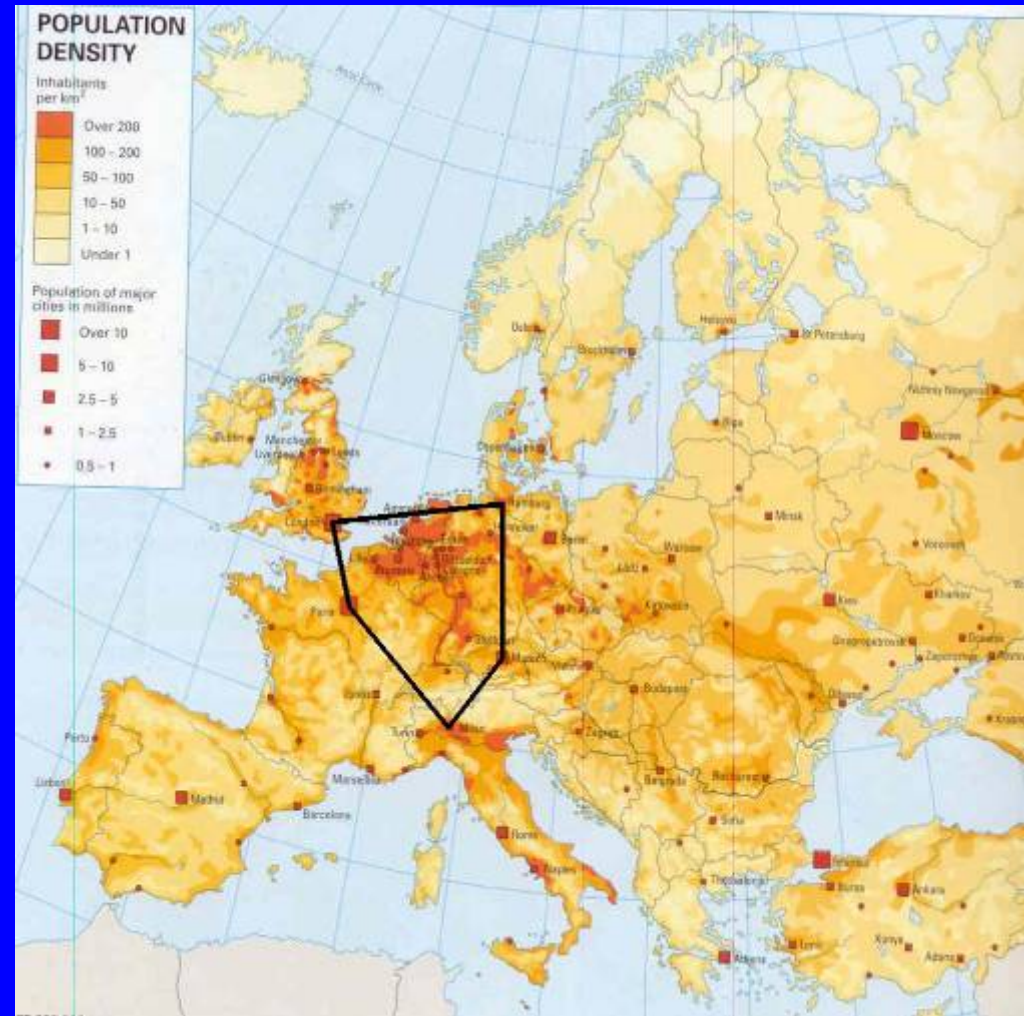
Territory Matters

- Because, territorially-blind policy interventions fail to reduce persistent:
 - economic inefficiencies
 - social inequities
 - environmental degradations

The 'pentagon' in the ESDP

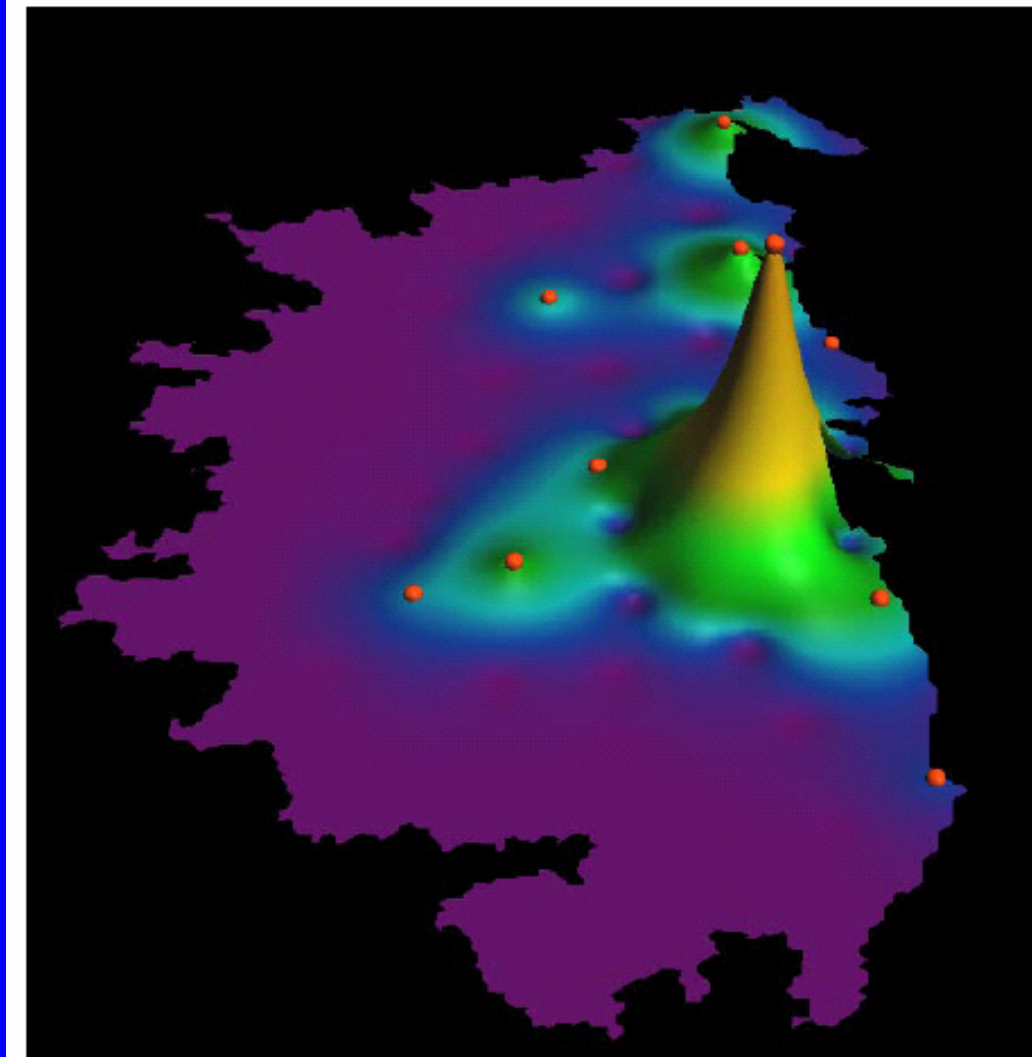
London, Paris, Milan,
Munich and Hamburg

- 14% of area
- 32% of population
- 46% of GDP
- 75% of R&D



The Greater Dublin Area

- 40% of national population
- 48% of national GVA
- 70% of major Co. HQs
- 80% of government agencies
- 100% of financial institutions



The 'pull' factors

- Economic activities are gravitated towards major urban centres, particularly capital cities due to their:
 - Critical mass
 - Infrastructure
 - Institutional capacity
- A similar trend is happening in many central and eastern European countries

What kind of territorial policy?

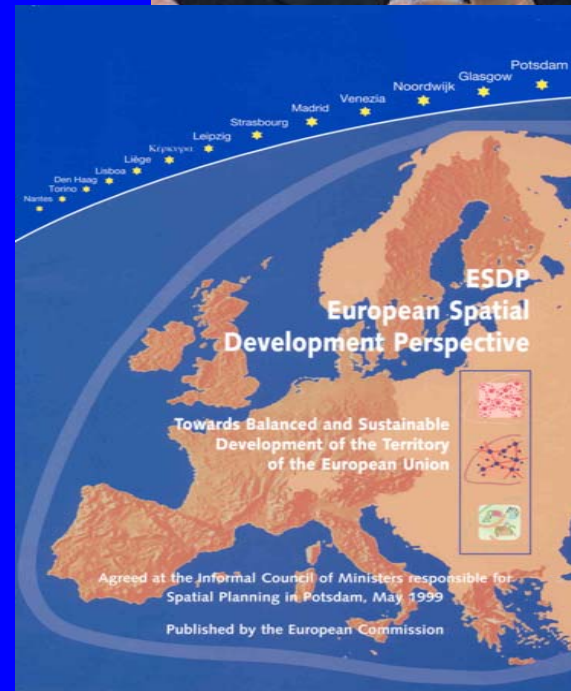
- Traditional regional policy focused on:
 - **redistribution** of resources from the prosperous regions to the declining areas
 - steering development away from capital cities towards peripheral locations

Paris et le Désert français!

- *Jean-François Gravier*, 1947, argued for a counter-Parisian spatial strategy:
 - Based on the creation of the *métropoles d'équilibre*, or the growth poles outside Paris
 - By pouring resources into French provisional cities (e.g. Lille, Lyon, Toulouse, Marseilles)
- To make France territorially more cohesive!

From France to Europe via ESDP

- *Cohesion Territoire* promoted by Jacques Delors
- Introduced in the Amsterdam Treaty, 1997
- ESDP's promotion of polycentricity



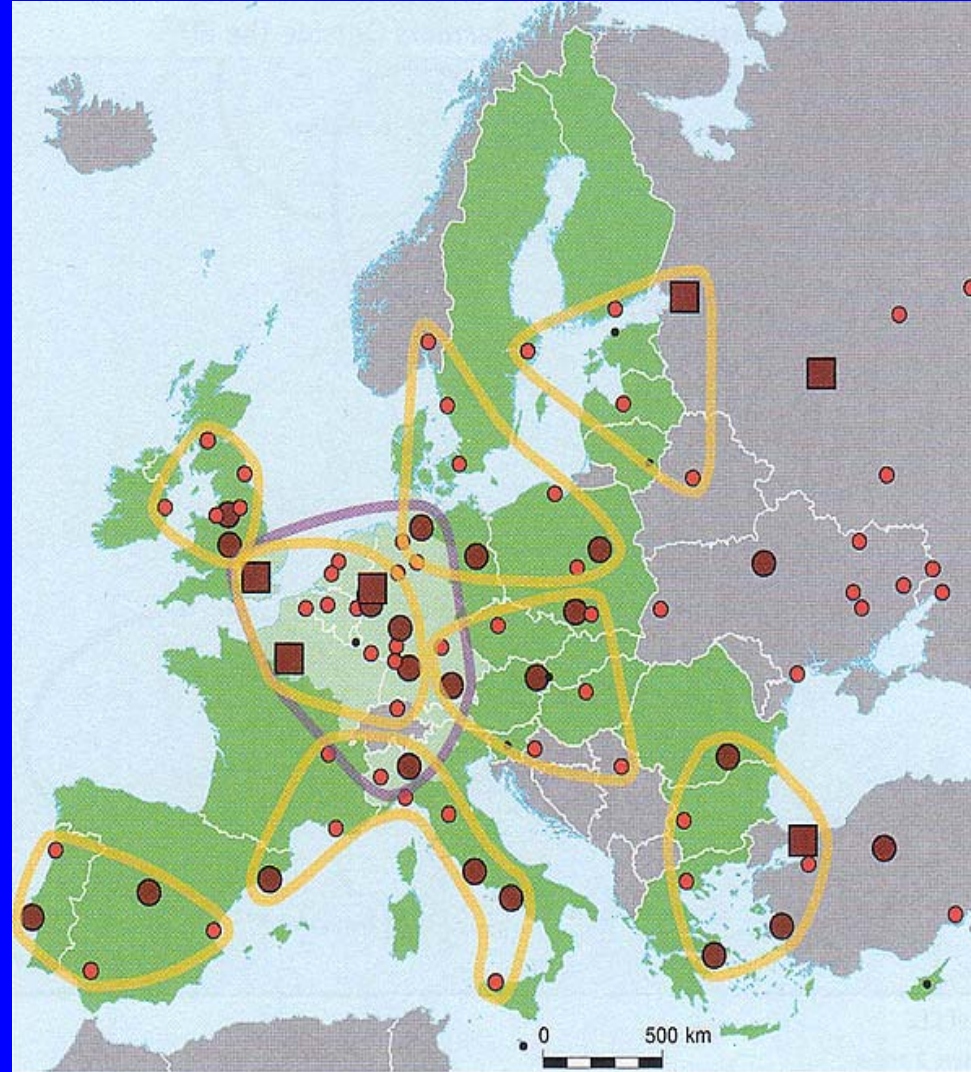
But, without the re-distributive dimension!

The emphasis has shifted

- Away from the 1960s' *distribution-based* regional policy
- Towards *potential-based* territorial policy
 - With a focus on maximising the endogenous territorial potentials and minimising territorial disadvantages

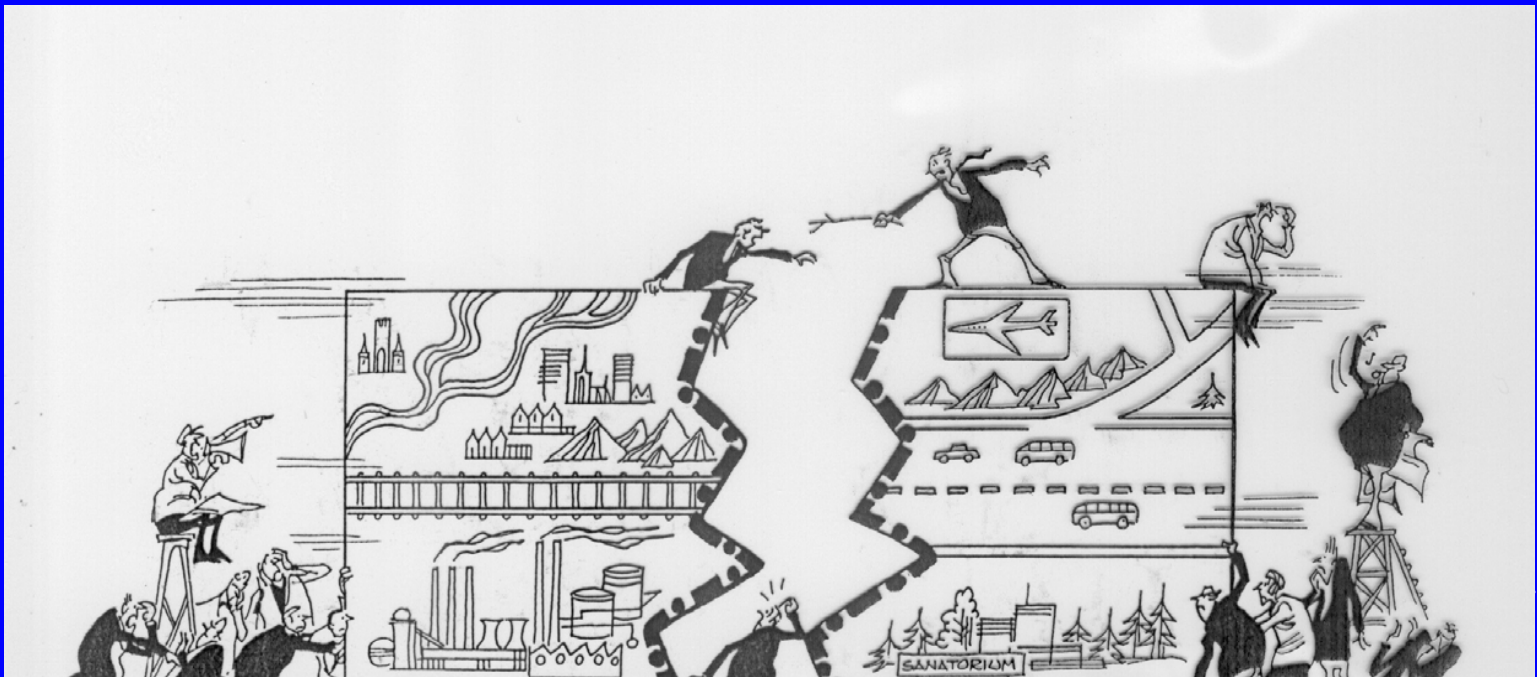
Polycentric urban regions

- Enhancing functional interdependencies
- Creating synergies and complementarities



Territorial cooperation is about:

- Joining forces to create critical mass
- Pooling assets & resources
- Complementing functions
- Collaborating and boundary-spanning



Effective cooperation requires:

Context

Tangible incentives
Institutional capacity

Substance

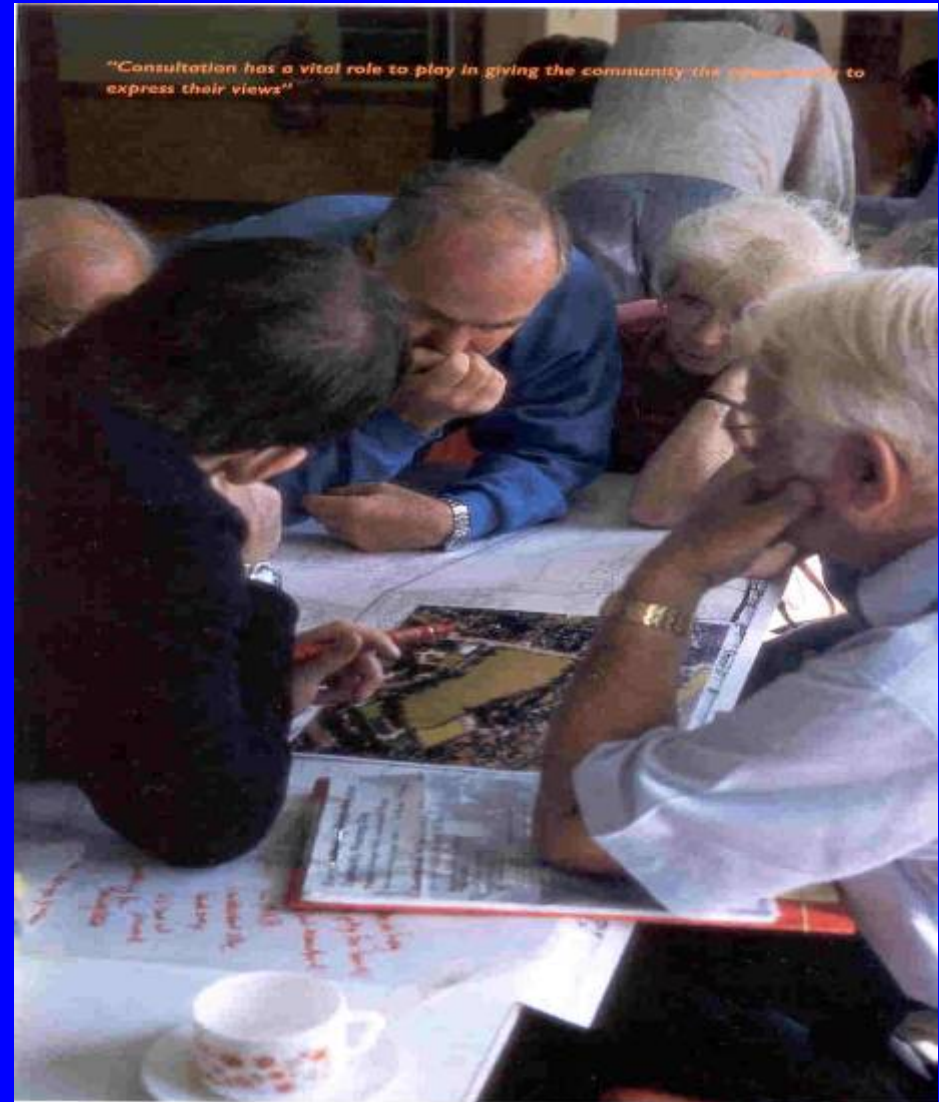
Vision
Strategy

Process

Leadership
Trust & social capital
Political & societal support

Territorial cooperation

- Is the hallmark of effective governance
- Is the prerequisite for developing and sustaining effective territorial policies



Further Information:

- Davoudi, S. (2005) Transnational co-operation and its contribution to territorial cohesion, *Informationen zur Raumentwicklung*, Nos. 11/12, pp. 683-689.
- Davoudi, S., 2005, Understanding Territorial Cohesion, *Planning Practice and Research*, Vol. 20(4): 433-441
- Davoudi, S, 2003, Polycentricity in European Spatial Planning; from an analytical tool to a normative agenda; *European Planning Studies*, Vol. 11(8): 979-999