
The revenge of the places that don't matter (and what to do about it)

Andrés Rodríguez-Pose

Cambridge Journal of Regions, Economy and Society

10th Anniversary Conference

Cambridge, July 14th, 2017

The dominant narrative

What has been the dominant thinking



Tim Leunig

16 October 2008, Liverpool Cathedral

- “Liverpool's time is past”
- “Regeneration spending towns” have slipped back relative to Britain's most successful towns.
- If we really want to give people in Liverpool, Sunderland, opportunities, we need to let many of them move to the south-east.
- We should convert half of the industrial land in the South East into housing: gain 200,000 houses,
- We also need to expand London – making it a mile bigger would create 400,000 new houses.
- And add a million houses in Oxford and Cambridge, along the model of America's Silicon Valley.

Places that matter/not matter



London

Matter



Cambridge



Middlesbrough



Birmingham



Sheffield

~~**Don't Matter**~~

Cities: the bigger the better

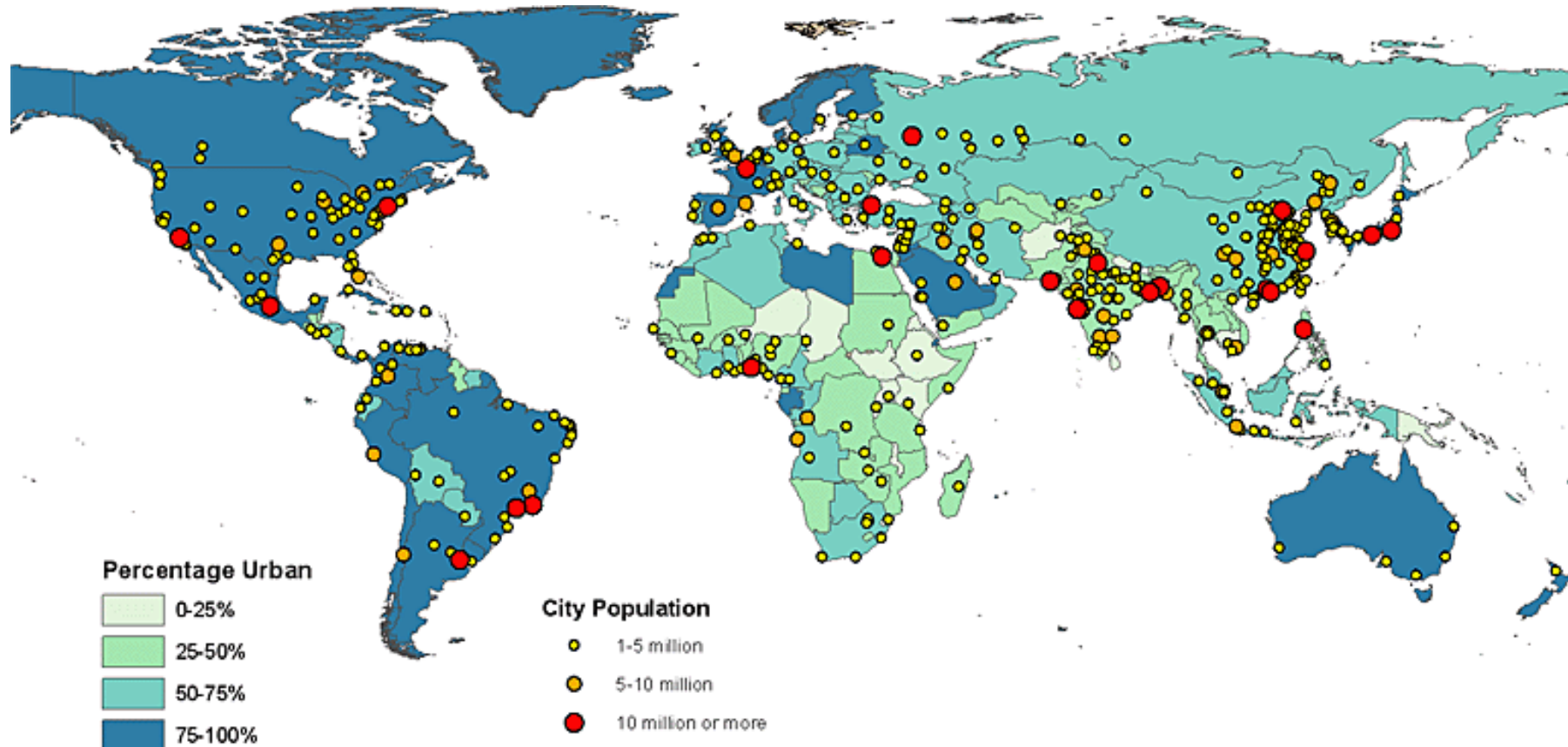
Agglomeration and density

- **Glaeser (2012) Triumph of the City**
 - Subtitle: “How our greatest invention makes us richer, smarter, greener, healthier, and happier”
 - “Urban density provides the clearest path from poverty to prosperity” (page 1)
- **Combes, P.-P., Duranton, G., Gobillon, L., Puga, D. and Roux, S. (2012) The Productivity Advantages of Large Cities: Distinguishing Agglomeration From Firm Selection. Econometrica, 80: 2543–2594. RTD basic for long term growth**
 - “There are substantial productivity benefits for all firms in denser areas that are even stronger for more productive firms” (page 2570)
 - “Firms in denser areas are, on average, about 9.7 percent more productive than in less dense areas” (page 2584)

And transport costs

- Decline in transport costs which fuels agglomeration and density

More urbanization and bigger cities



Source: World Urbanization Prospects
2011

Big agglomerations drivers of growth



London



Paris



Tokyo



New York

Size matters



London



Paris



Liverpool



Marseille



Newcastle



Lille

The reaction

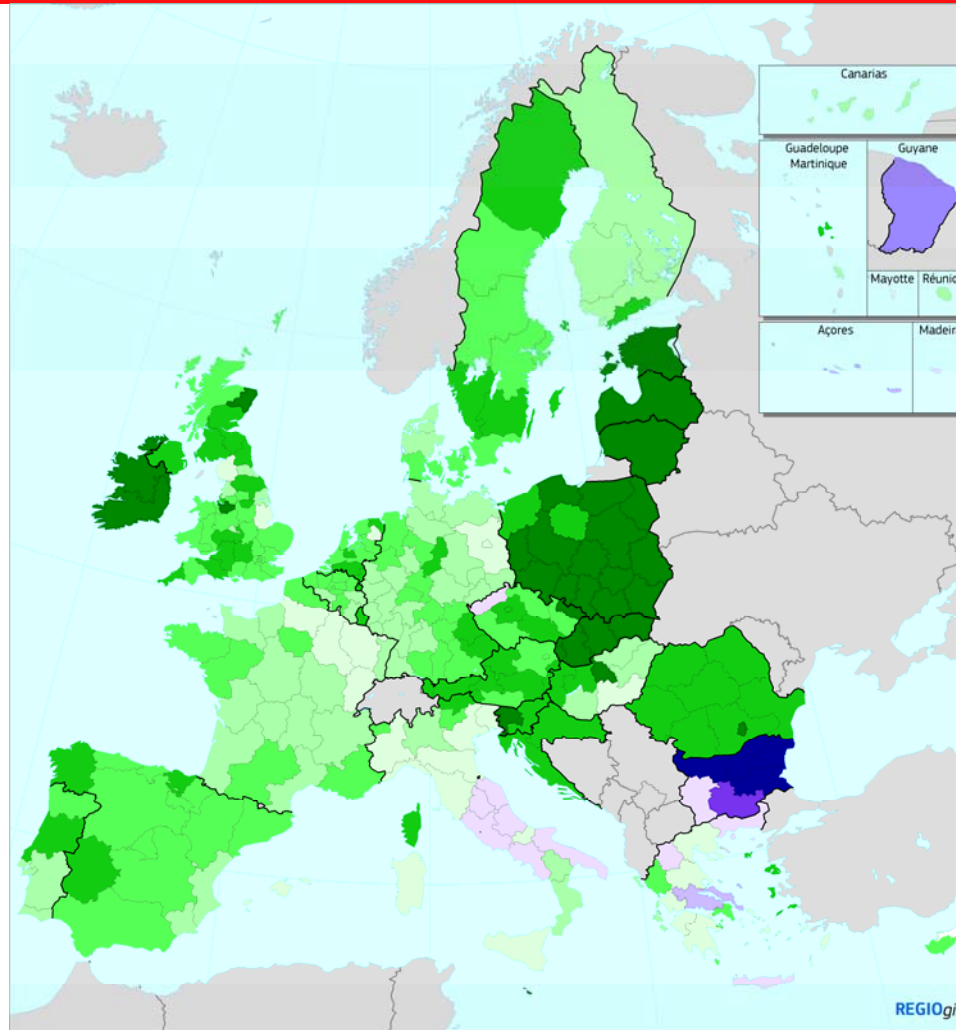
And inequality is growing

Changes in regional disparities in emerging countries

Country	Spatial units	Period	Spatial inequality		
			Initial	Final	Average
Argentina	23	1992-2006	0.040	0.097	0.057
Bolivia	9	1990-2006	0.024	0.050	0.033
Brazil	27	1990-2006	0.102	0.110	0.109
Bulgaria	6	1990-2006	0.049	0.084	0.067
Chile	13	1990-2006	0.066	0.069	0.072
China	31	1990-2005	0.085	0.126	0.123
Colombia	33	1990-2006	0.076	0.052	0.063
Ecuador	21	1993-2006	0.211	0.266	0.250
Estonia	5	1990-2006	0.039	0.088	0.069
India	32	1993-2005	0.059	0.090	0.074
Indonesia	30	2000-2006	0.256	0.223	0.246
Latvia	6	1993-2006	0.030	0.156	0.097
Lithuania	10	1993-2006	0.004	0.049	0.021
Mexico	32	1993-2004	0.143	0.145	0.147
Peru	24	1990-2006	0.140	0.135	0.142
Philippines	16	2005-2006	0.163	0.169	0.166
Poland	16	1990-2006	0.009	0.033	0.021
Romania	8	1990-2006	0.008	0.064	0.030
South Africa	9	1995-2005	0.135	0.114	0.119
Thailand	76	1994-2005	0.439	0.473	0.439
Turkey	26	1990-2001	0.094	0.076	0.081
Venezuela	23	1990-2006	0.006	0.028	0.024

Notes: Spatial inequality is measured using Theil's index. Source: Ezcurra and Rodríguez-Pose, 2013

In Europe



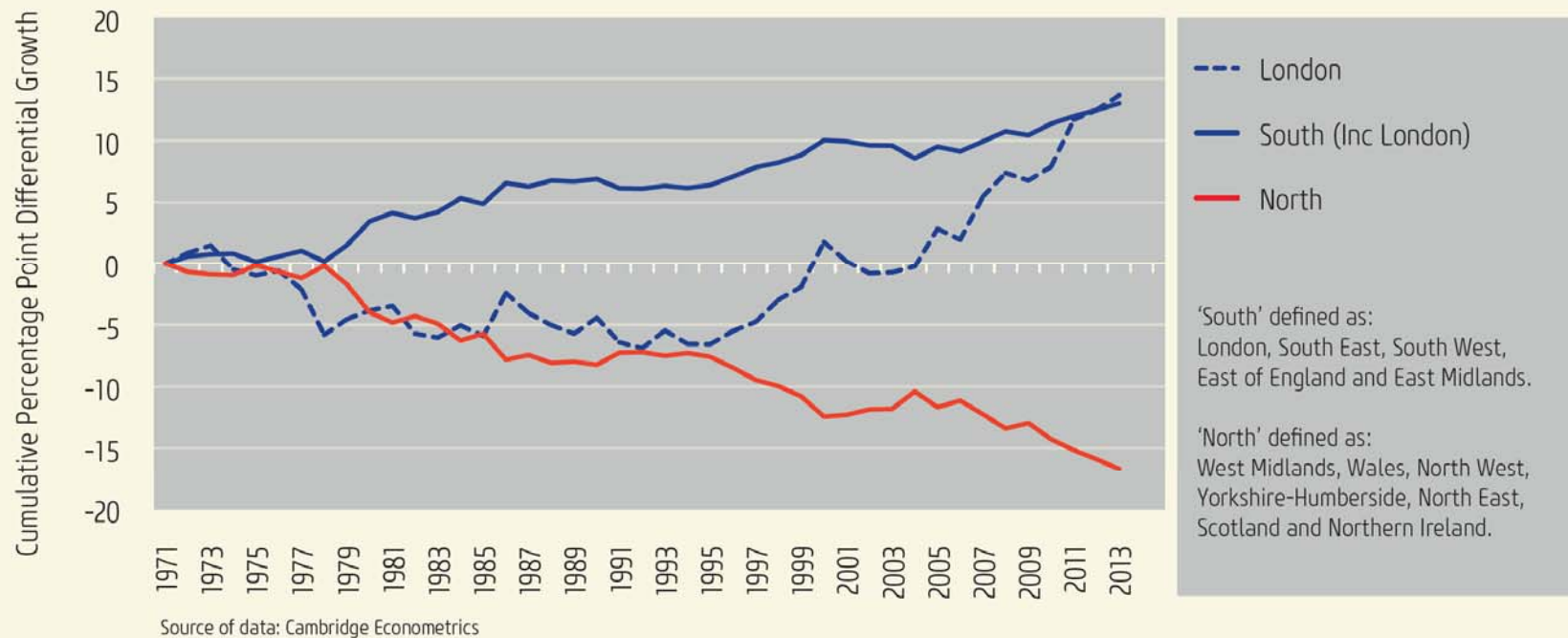
Growth of GDP per head, 1990-2014



DE (new Länder): 1991-2014; HR: 1995-2014
Capital regions
including commuting areas.
Source: Eurostat, Cambridge Econometrics, EC, REGIOgis

And in Britain

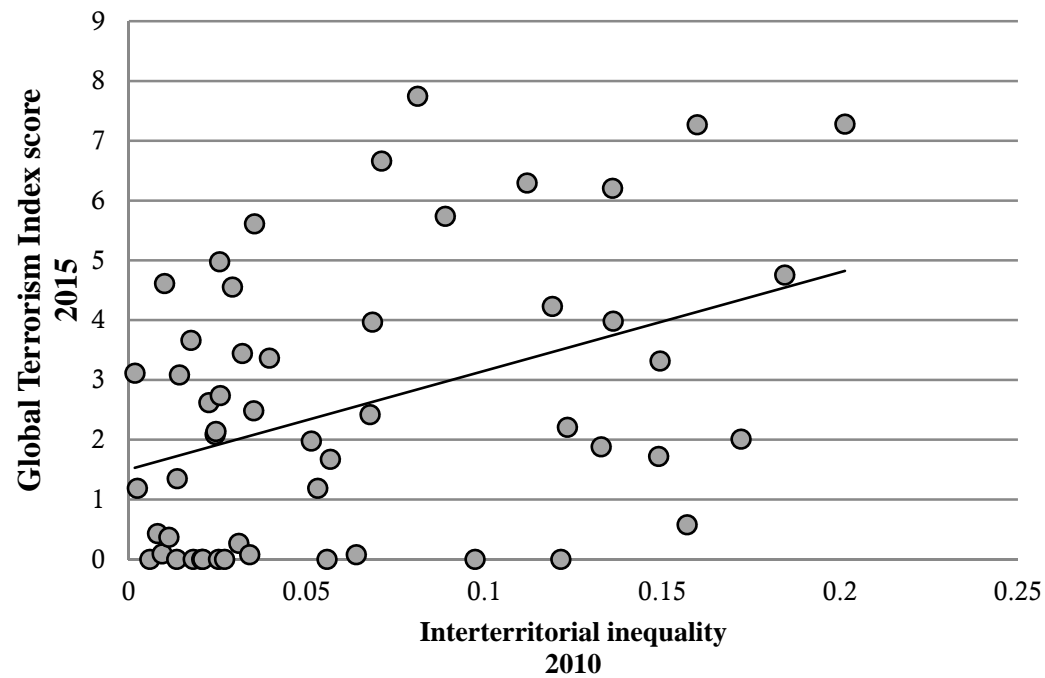
**Figure 3: Cumulative Percentage Point Differential Growth Gaps of GVA (2011 prices):
The North, South and London, 1971-2013**



Martin, Pike, Tyler and Gardiner (2105)

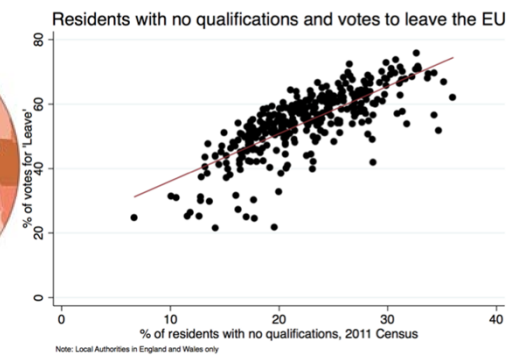
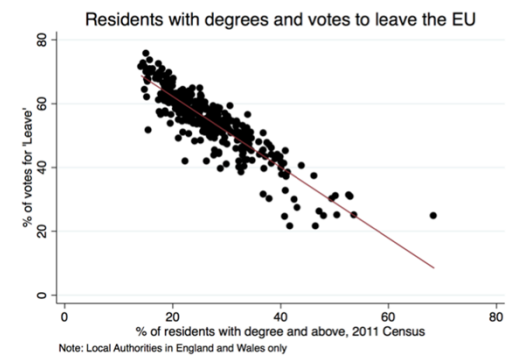
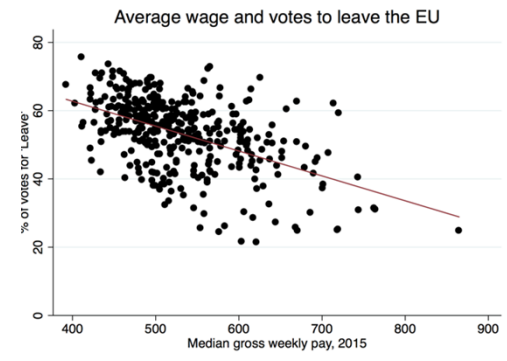
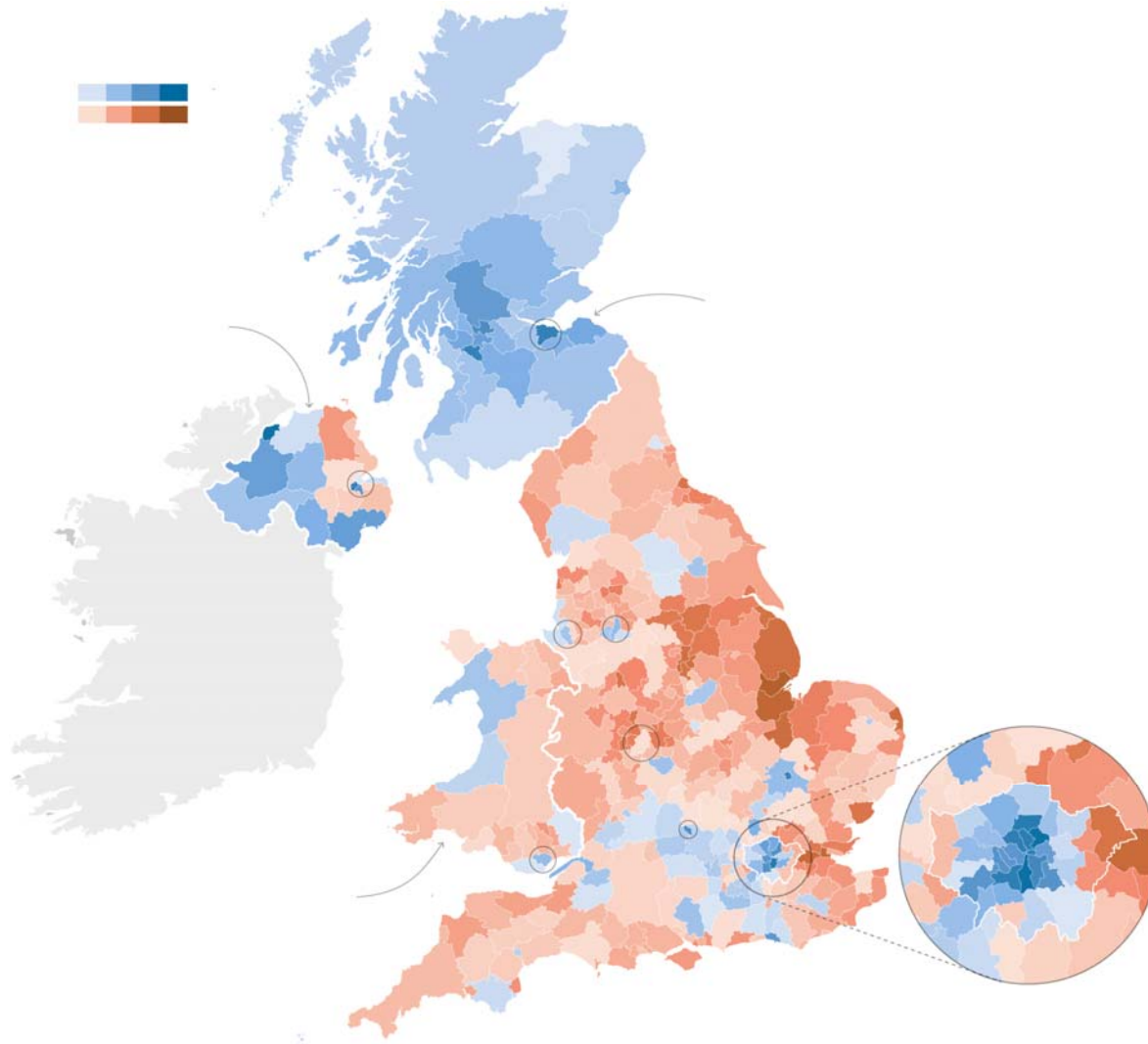
Inequality and conflict

Relationship between inequality and terrorism

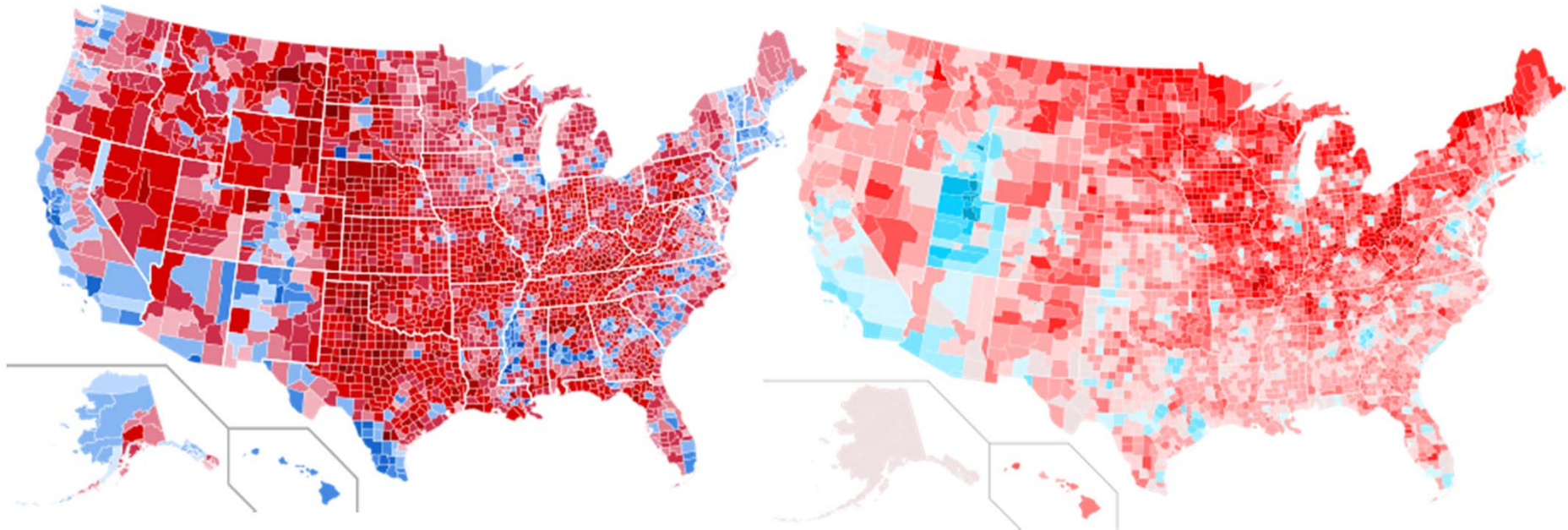


The reaction

The reaction: Brexit



The reaction: Trump

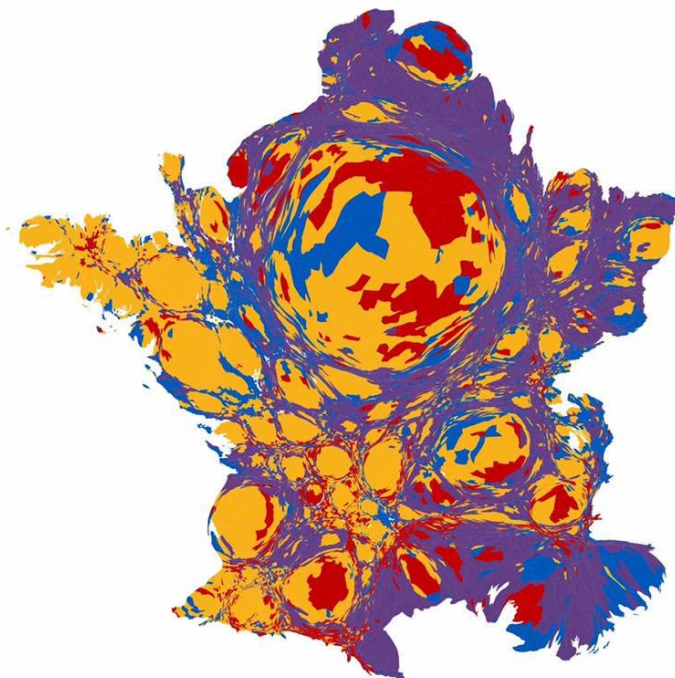


Results by county, shaded according to winning candidate's percentage of the vote

Source: Wikipedia

County swing from 2012 to 2016

The counterreaction: France



■ Emmanuel Macron
■ Marine Le Pen
■ François Fillon
■ Jean-Luc Mélenchon

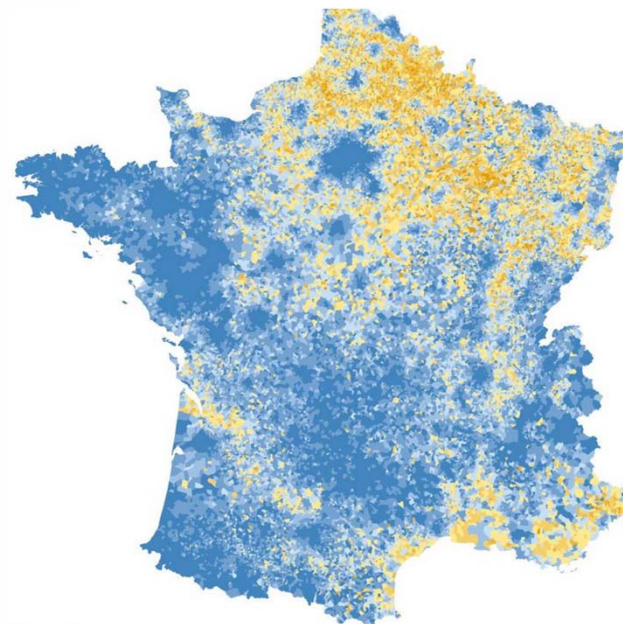
Candidat en tête au premier tour de l'élection présidentielle par commune

Carte anamorphosée : la superficie des communes est proportionnelle à leur population



Alexandre Léchenet pour Slat

First round



Macron

66.1%

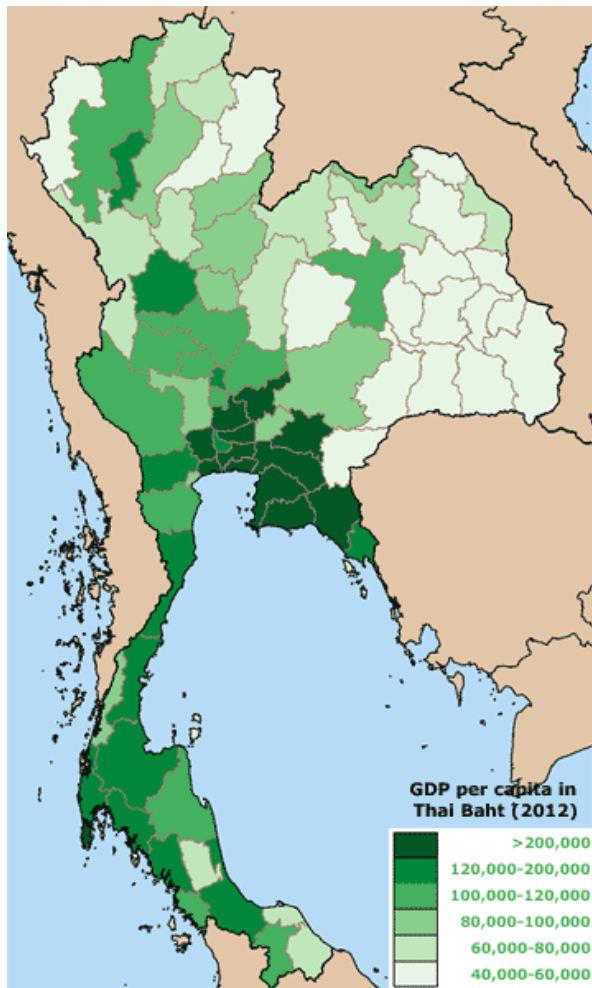


Le Pen

33.9%

Second round

But, is this new?: Thailand



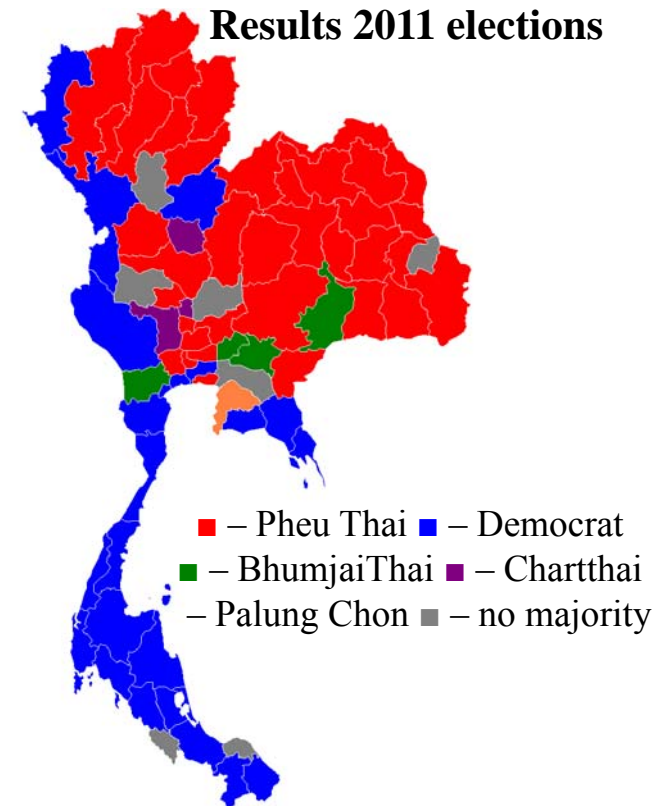
Source: <http://www.thaiwebsites.com/thailand-GDP.asp>

Region	GDP per capita*
Bangkok and Vicinity	359,798
Central Region	226,501
Eastern Region	414,568
Northern Region	91,922
North Eastern Region	67,888
Southern Region	124,914
Western Region	121,651
All of Thailand	183,803

* Real GDP in Thai Baht at current market prices

Source : Office of the National Economic and Social Development Board (NESDB)

Note : data 2012 (last available mid 2014).



Thailand's entrenched territorial inequalities are behind the political stalemate

This situation has paralysed the country, created social conflict and Greatly affected the economy

Are we surprised?

What can derail growth and prosperity?

Challenge has come from an unexpected source

Told to expect *negative externalities*

- Land rents
- Congestion
- Pollution

Told to expect *Inequality: Interpersonal*

- But the poorest of the poor have not rebelled: Trump and Brexit votes

But most important negative externality overlooked

- **Territorial inequality**
 - Territories left behind
 - Long-periods of low-, no- or negative-growth
 - Industrial and agricultural decline
 - Brain drain
 - **No hope** → Geographies of discontent

Territorial policy more needed
than ever

But, what type of policy?

Has nothing been done for these areas?

No

National level

- Welfare transfers
- Public employment

Regional level

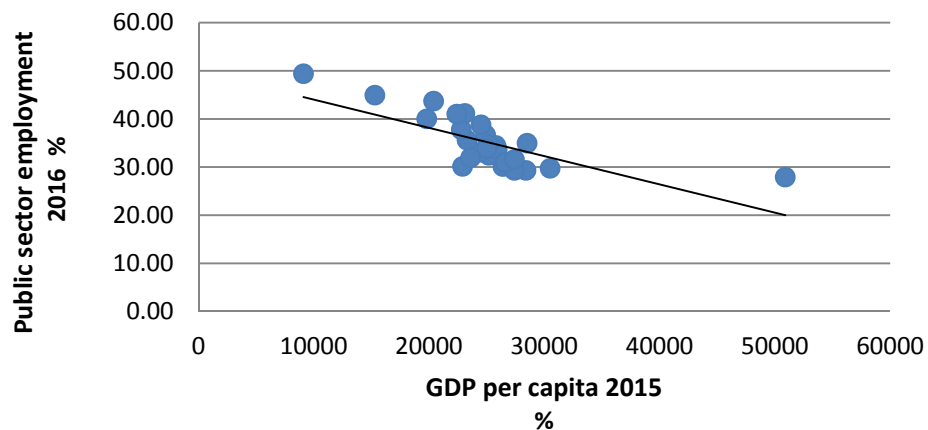
- Big investments in infrastructure
- White elephants: Big motorways, empty airports, under-used high speed trains

The real economic potential of these areas has not been mobilised

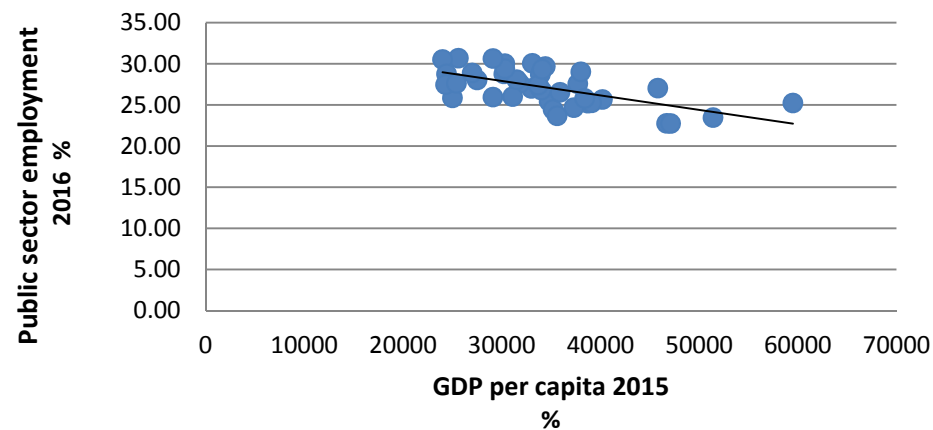
- Policies have often promoted collusion, corruption and poor government
- Perpetuating the impression that there is no future
- Or that the future inevitably passes through big cities
 - This is massively resented

Public employment

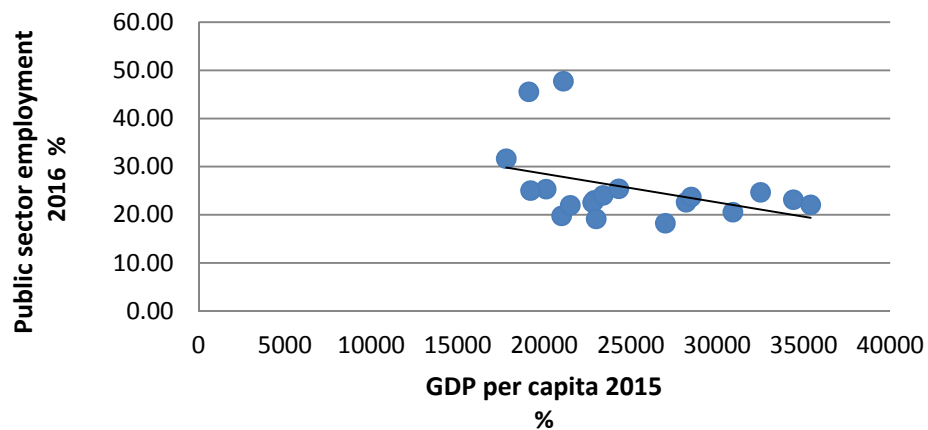
France



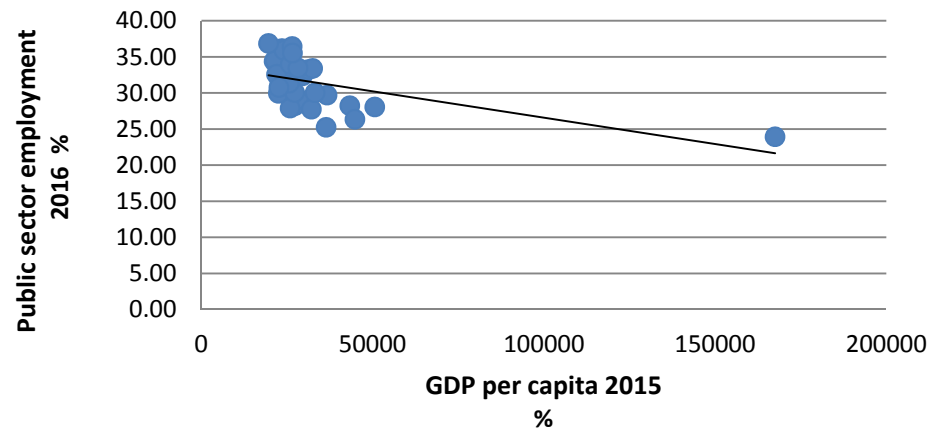
Germany



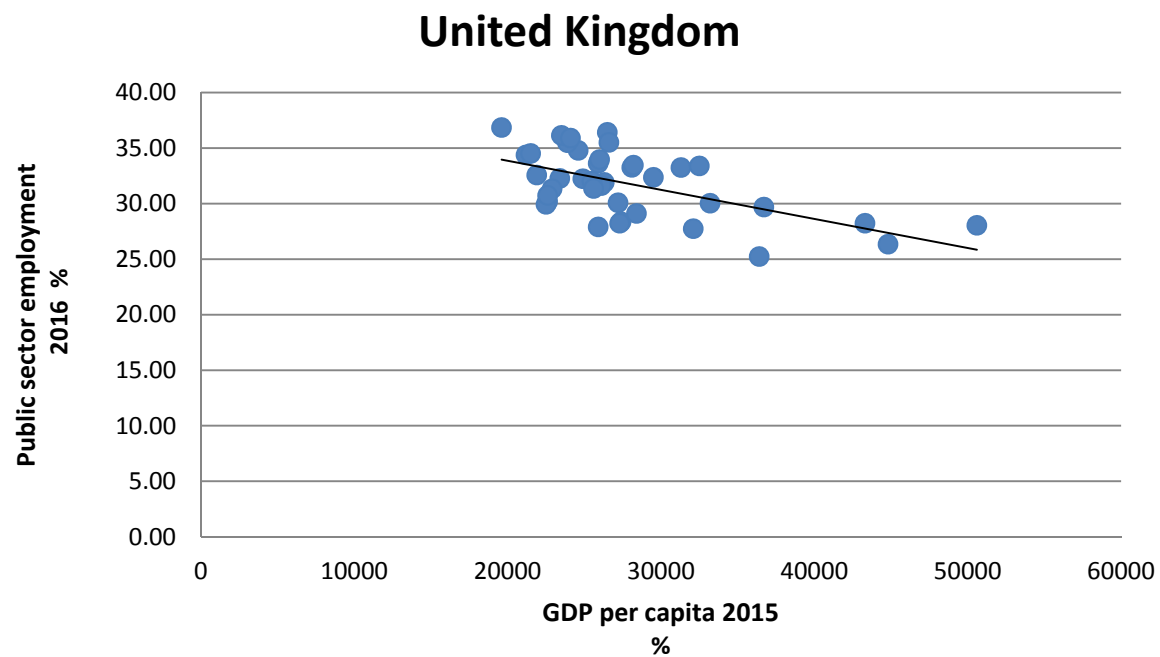
Spain



United Kingdom



Without West Inner London



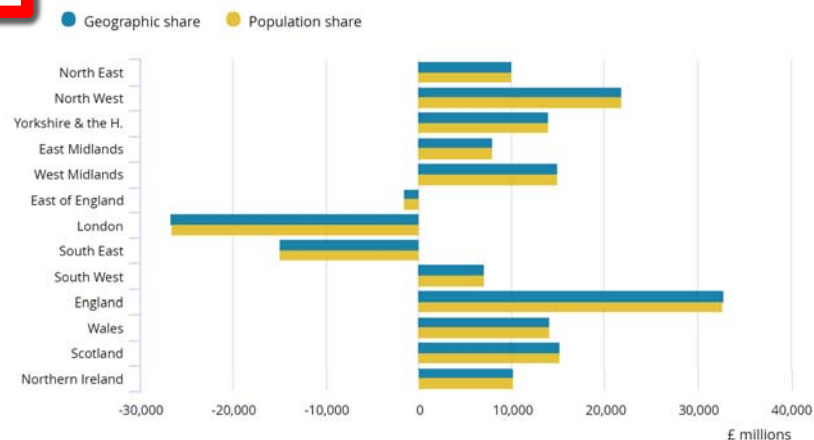
Fiscal transfers

USA



UK

Figure 1: Net Fiscal Balance FYE 2016, by country and region

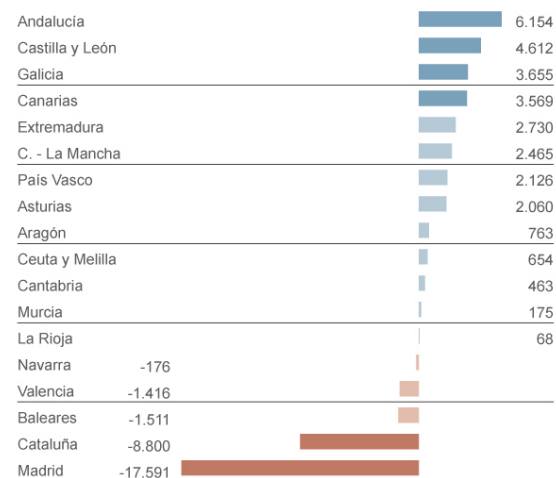


Source: Office for National Statistics

Spain

Las balanzas fiscales en las CCAA

En millones de euros



Fuente: M. de Hacienda y AAPP

J. Aguirre / EL MUNDO GRÁFICOS

Expo Station, Seville



'Radial' motorways, Madrid



AVE Toledo-Albacete



Castellón Airport



FINANCIAL TIMES

July 17, 2015 5:38 pm

Spanish ghost airport costing €1bn attracts offer of just €10,000

Tobias Buck in Madrid



Ciudad Real Airport

Towards a different policy

Towards a different policy

The problem is territorial

We need more, not less policy

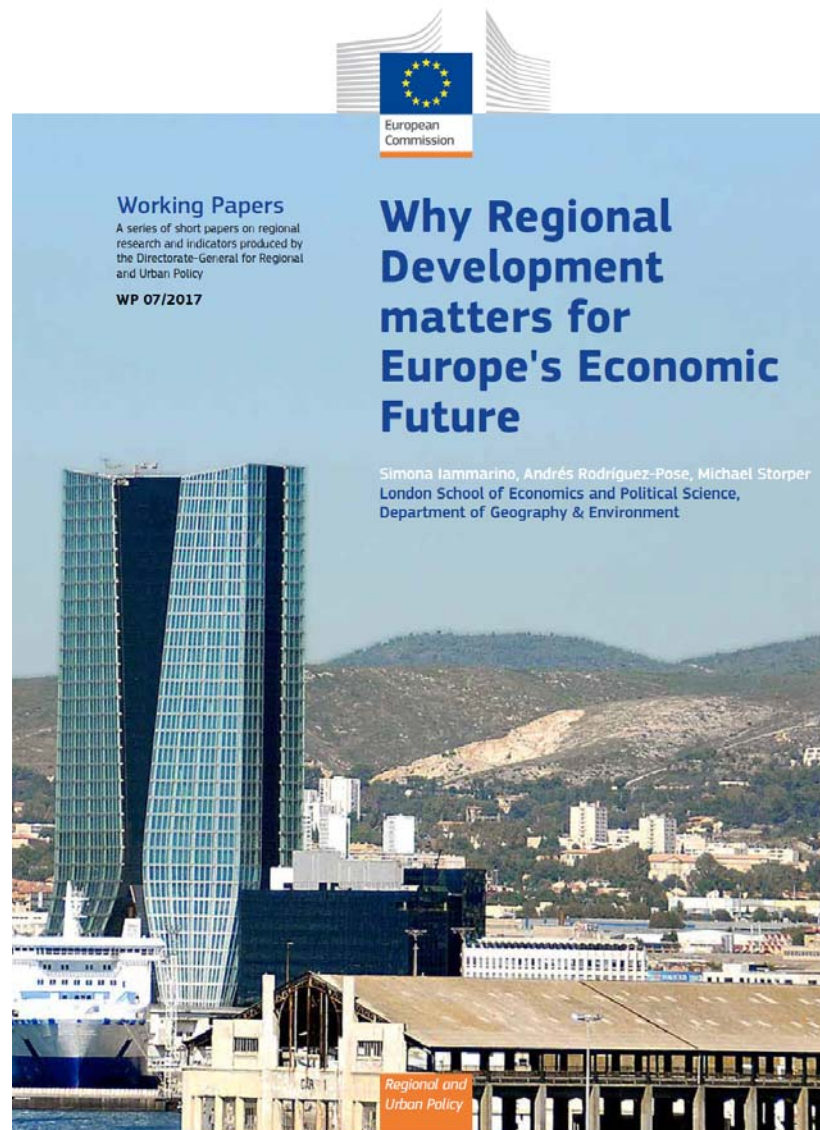
But a different policy

- Away from simply providing welfare
- Away from sheltering less developed regions
- Away from big, visible white elephants

Place-sensitive policy

- Place-sensitive distributed development policies (PSDDP)
 - Strongly based on theory and evidence
 - But sensitive to the different conditions of clubs of regions
 - Aimed at tapping local potential
 - And enhancing the opportunities of every territory (entrepreneurship, skills, absorption of innovation)
 - Offering portable skills
 - Tackling institutional inefficiencies and bottlenecks head on

How to go about doing it?



Conclusions

Why there is an urgent need to act?

The most negative externality has come through the ballot box

The places that don't matter have revolted

- **Those left behind are attacking the very factors on which recent prosperity has been based:**
 - Open markets (goods, services, labour)
 - Migration
 - Access to the single market
 - Membership of the EU
 - Globalisation
- **This will affect**
 - First and foremost them (directly but, especially indirectly) (McCann, Van Oort)
 - Less taxes – less welfare
 - Less inward investment (manufacturing) – less jobs for the medium-skilled
 - But also the foundations of the recent prosperity on the dynamism of agglomerated poles (London and the South East, Paris)

What to do?

1. Do nothing

- Inequalities likely to continue increasing, raising tensions social, political and economic tensions

2. Encourage migration

- Migration within developed countries mainly feasible for the highly skilled
- Significant costs to migration for the low skilled
- Within country migration reduced since the beginning of the crisis

3. Bet on top cities

- Performance not as good as during the 1990s, early 2000s
- How do we know we are betting on a winning horse?
- Will territorial inequalities not rise?
- Big city story, so 1990s (McCann)

What to do? (2)

4. Decentralise/Devolve

- Already done since the 1990s
- Do local governments have better capacities?
- Are needs and wants of citizens truly heterogeneous across space?

5. Social and welfare policies

- Create permanently dependent populations and territories?
- Social and political tensions may rise

6. Place-sensitive policies

- Intervene focusing on maximising the development potential of each territory
- Combining people-based with place-based approaches
- And empowering local stakeholders to take greater control of their future
- *Is it working? Or will it work?*
- *If we don't try, the alternative is far worse*

The revenge of the places that don't matter (and what to do about it)

Andrés Rodríguez-Pose

More papers at:

<http://personal.lse.ac.uk/rodrigu1/>



@rodriguez_pose