



Second Tier Cities in Age of Austerity: Why Invest Beyond the Capitals?

Professor Michael Parkinson CBE
Regional Studies Association,
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Second Tier Cities - 4 Questions

1. Who are we?
2. What did we try to do?
3. How did we do it?
4. What messages?

1. Who Are We?

Partners

- EIUA
- MRI Budapest
- University of Tampere

Advisers

- University College London
- University of Paris

2. What Trying to Do?

Answers to:

- What contribution capital & second tier cities national, EU performance?
- Which punch weight nationally & Europe, how and why?
- What territorial impact & implications crisis?
- Who does what better, differently in future?

What are second tiers?

- Larger non-capital performance affects national economy.
Agreed EU OECD metro region boundaries

2. What Trying to Do?

Respond EU policy concerns:

- What performance second tiers , what gap capitals, what direction change?
- What policy debate member states?
- How gap seen, competitiveness or cohesion, explicit or implicit, any concern territorial impact?
- What impact national policy for second tiers - greater targeting, increased capacity, more powers & resources, fewer constraints?

2. What Trying to Do?

Test key arguments:

- Decentralisation powers & resources, deconcentration investment higher performing economies
- Better second tiers - better national and European economies
- Relationship capital & second tiers win-win, not zero sum
- National policies for second tiers crucial
- Critical success factors – innovation, diversity, human capital, connectivity, place quality, strategic governance capacity
- Territorial governance & place matter more not less global economy

3. How Did It?

- Research & policy literature – performance, policies, prospects
- Quantitative data 124 second tiers , 31 capitals
- Interviews - European, national policy makers, private sector
- E-questionnaire
- 9 case studies – Tampere, Cork, Leeds, Lyon, Turin, Munich, Barcelona, Katowice, Timisoara

4. What Performance Messages?

- Performance cities crucial to competitiveness
- Economic contribution capital & second tier varies
- Capitals dominate - but size gap varies & some cases falling
- Capitals dominate national economy more in east than west
- Many second tiers growing contribution national prosperity
- Some second tiers outperform capital

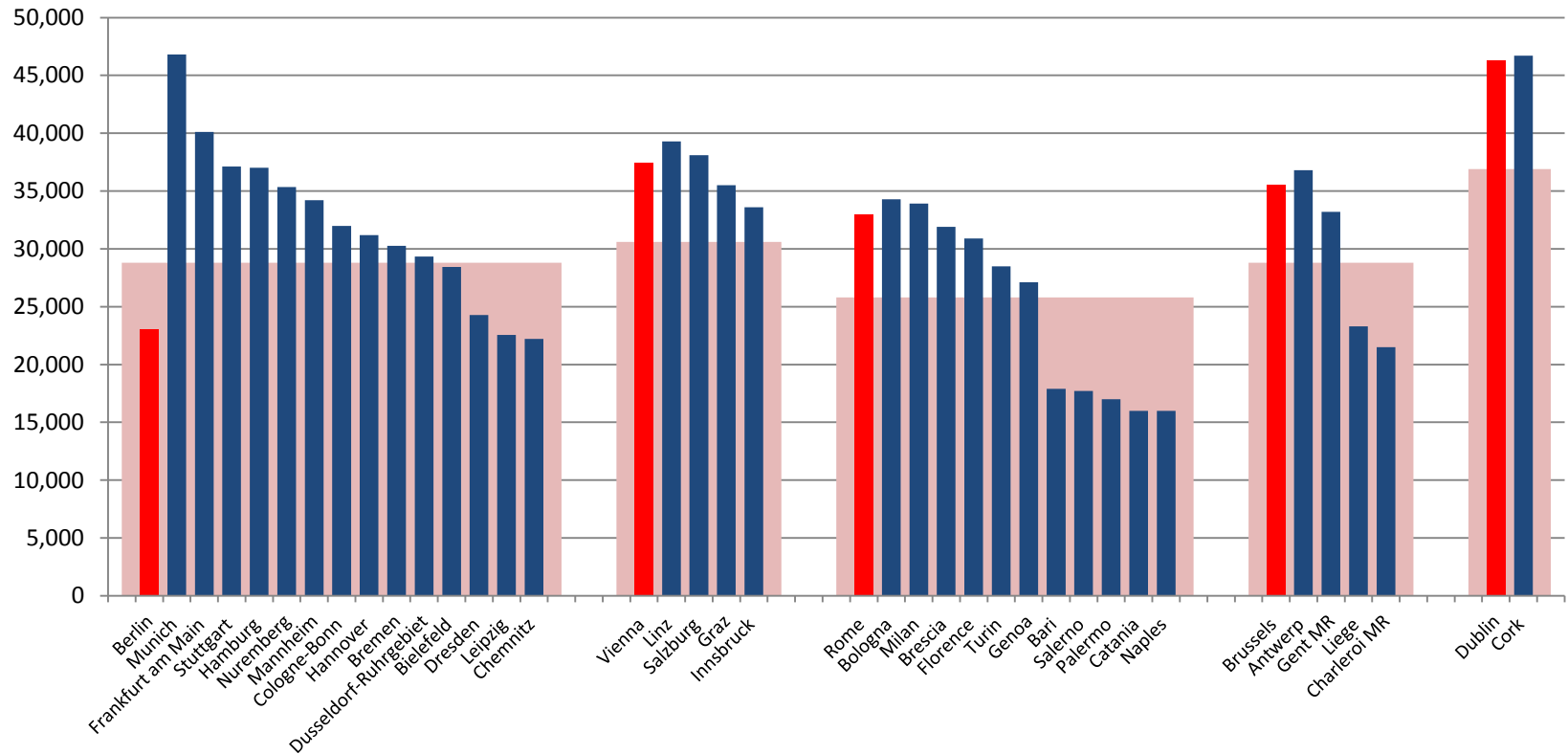
4. What Performance Messages?

Baseline:
Gap capitals & second tiers big

Exceptions - Top Secondary Outperforms Capital: Germany, Austria, Italy, Belgium, Ireland

GDP per capita PPS, 2007

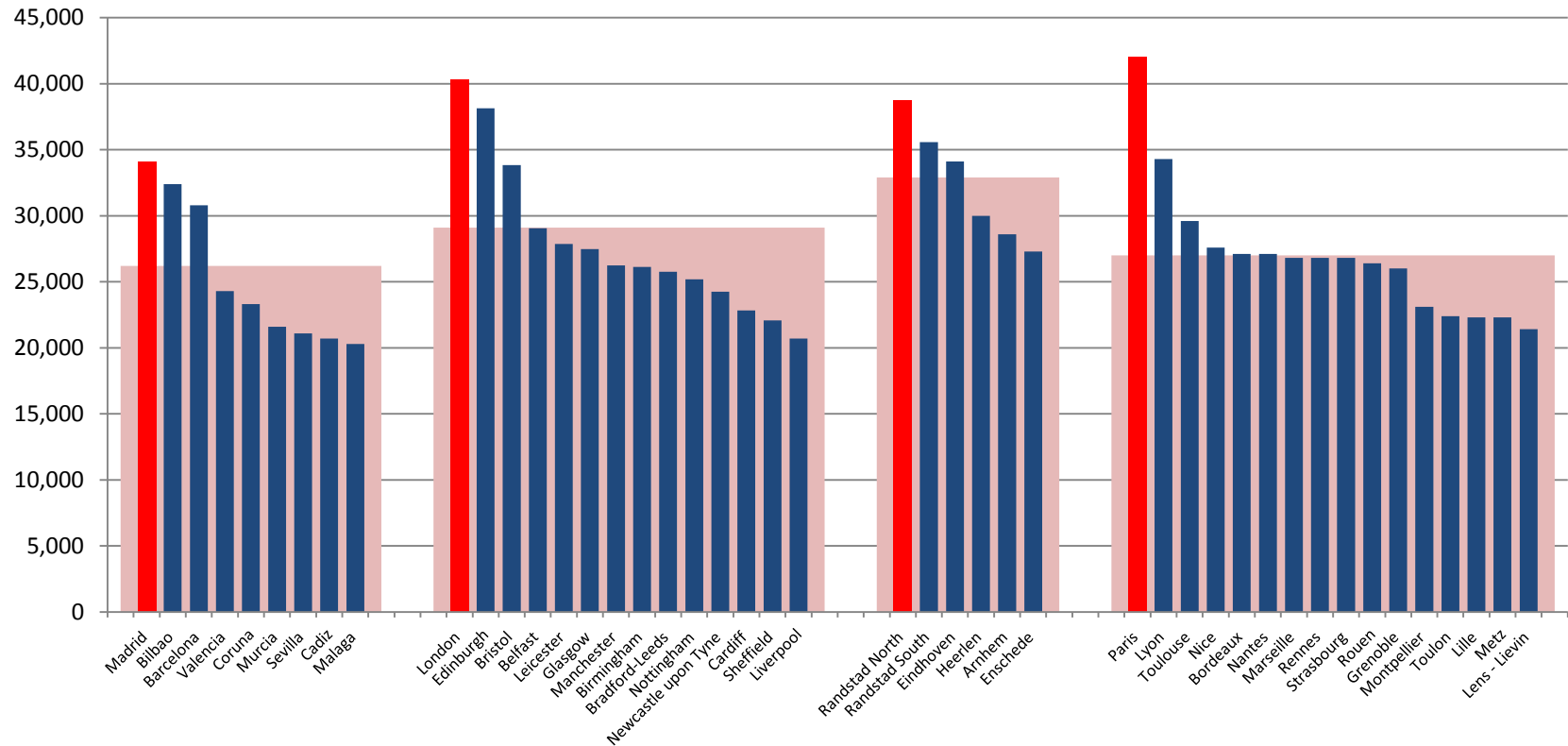
National Secondary City



Top Secondary Lags Capital by 5-20%: Spain, UK, Netherlands, France

GDP per capita PPS, 2007

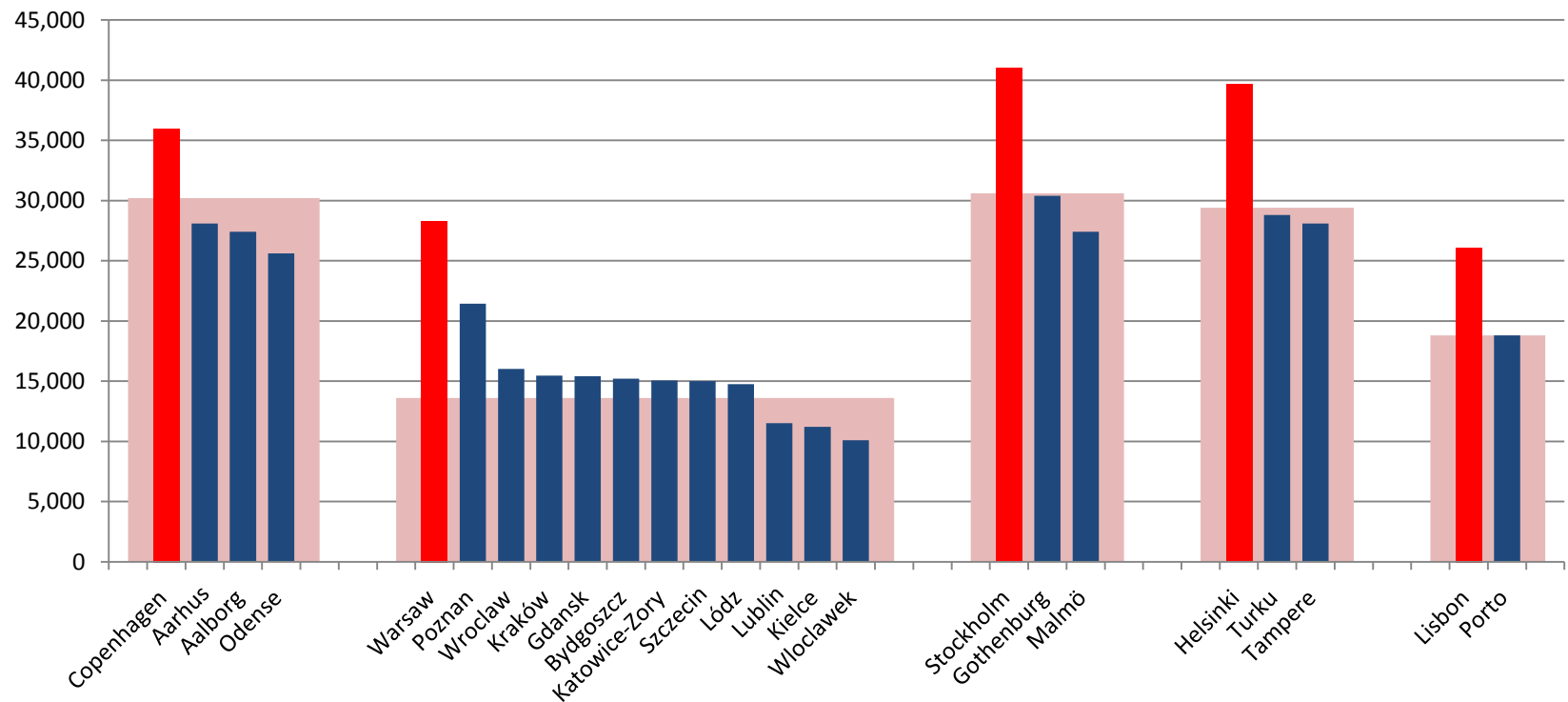
■ National ■ Secondary City



Top Secondary Lags Capital by 20-30%: Denmark, Poland, Sweden, Finland, Portugal

GDP per capita PPS, 2007

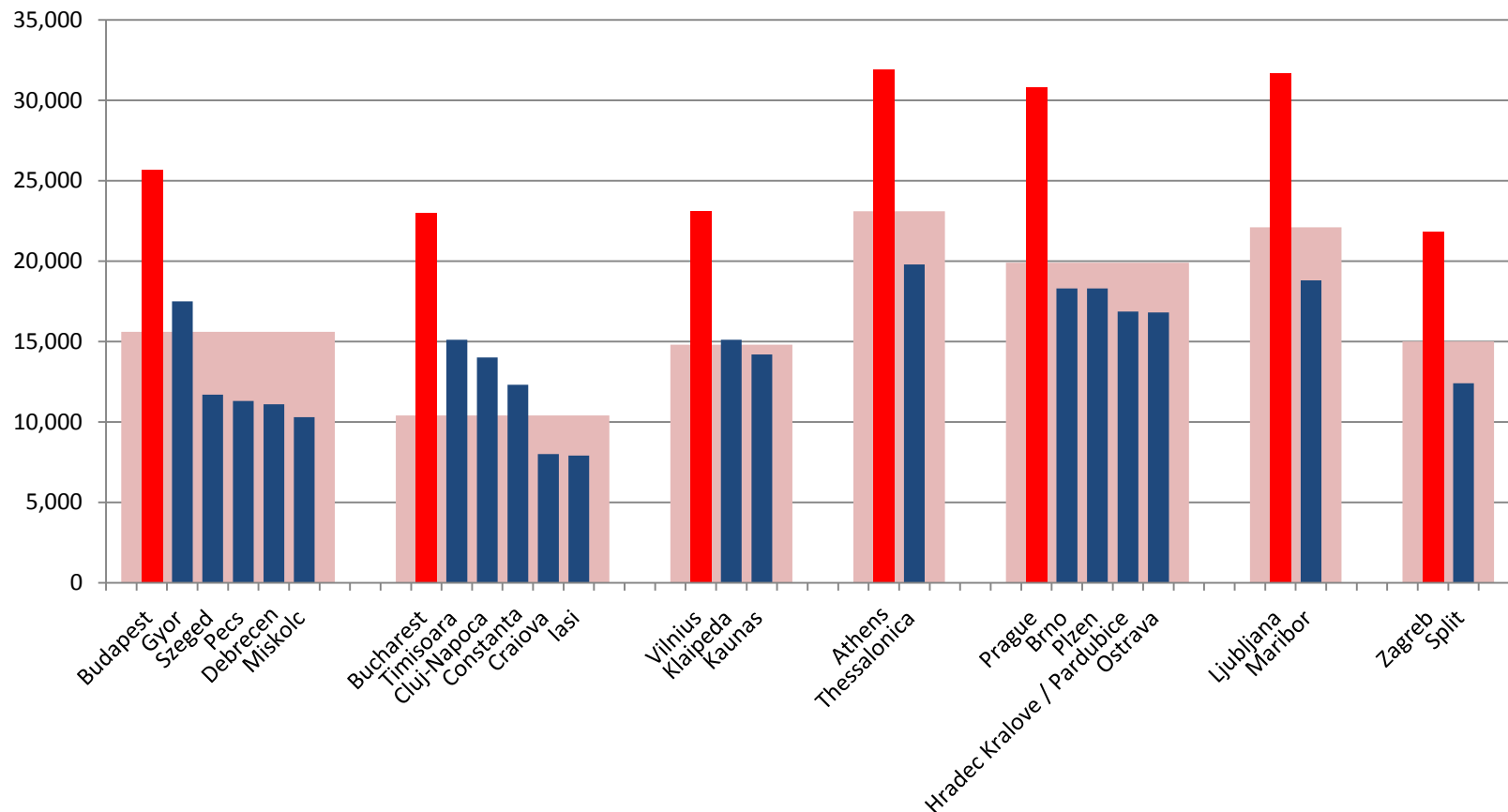
■ National ■ Secondary City



Top Secondary Lags Capital by 30-45%: Hungary, Romania, Lithuania, Greece, Czech Republic, Slovenia, Croatia

GDP per capita PPS, 2007

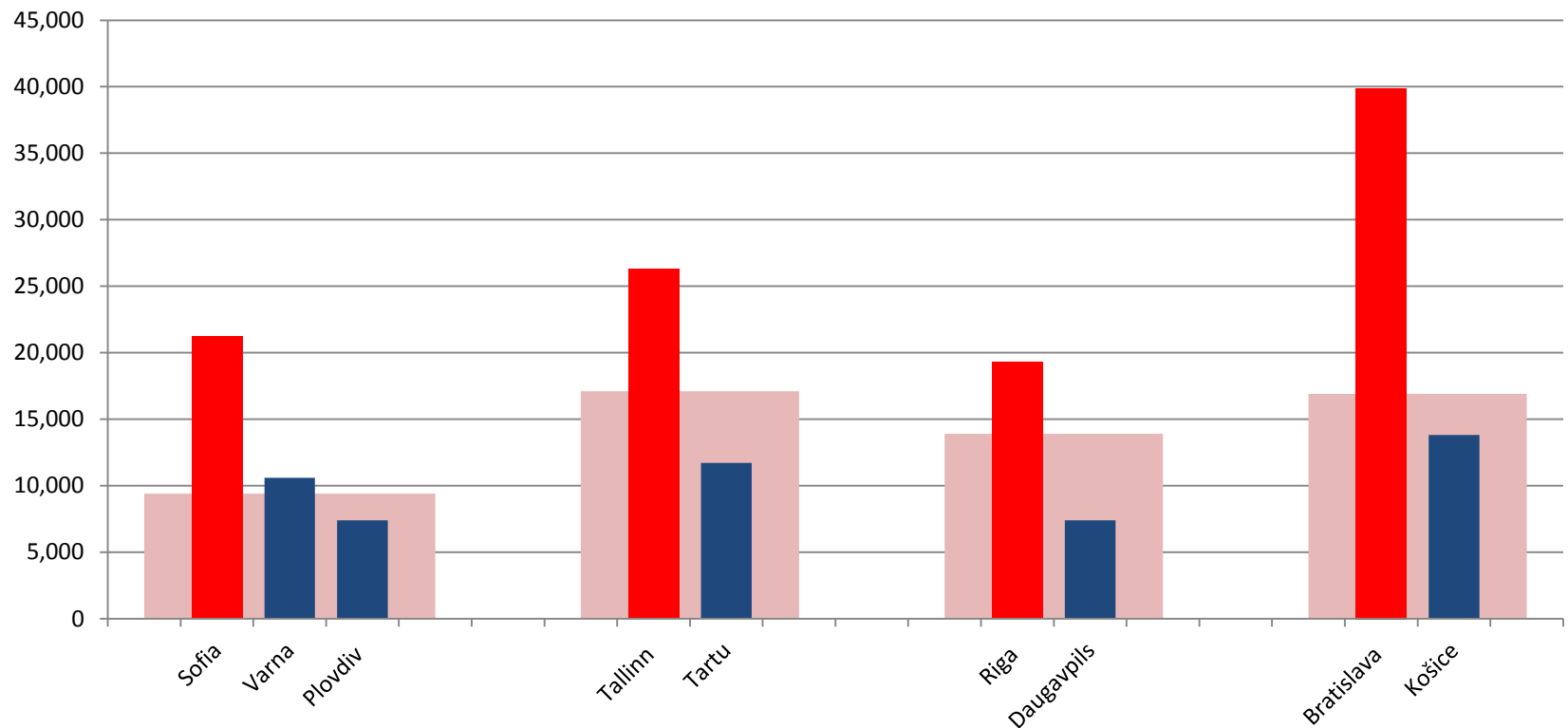
National Secondary City



Top Secondary Lags Capital by 50-65%: Bulgaria, Estonia, Latvia, Slovakia

GDP per capita PPS, 2007

■ National ■ Secondary City

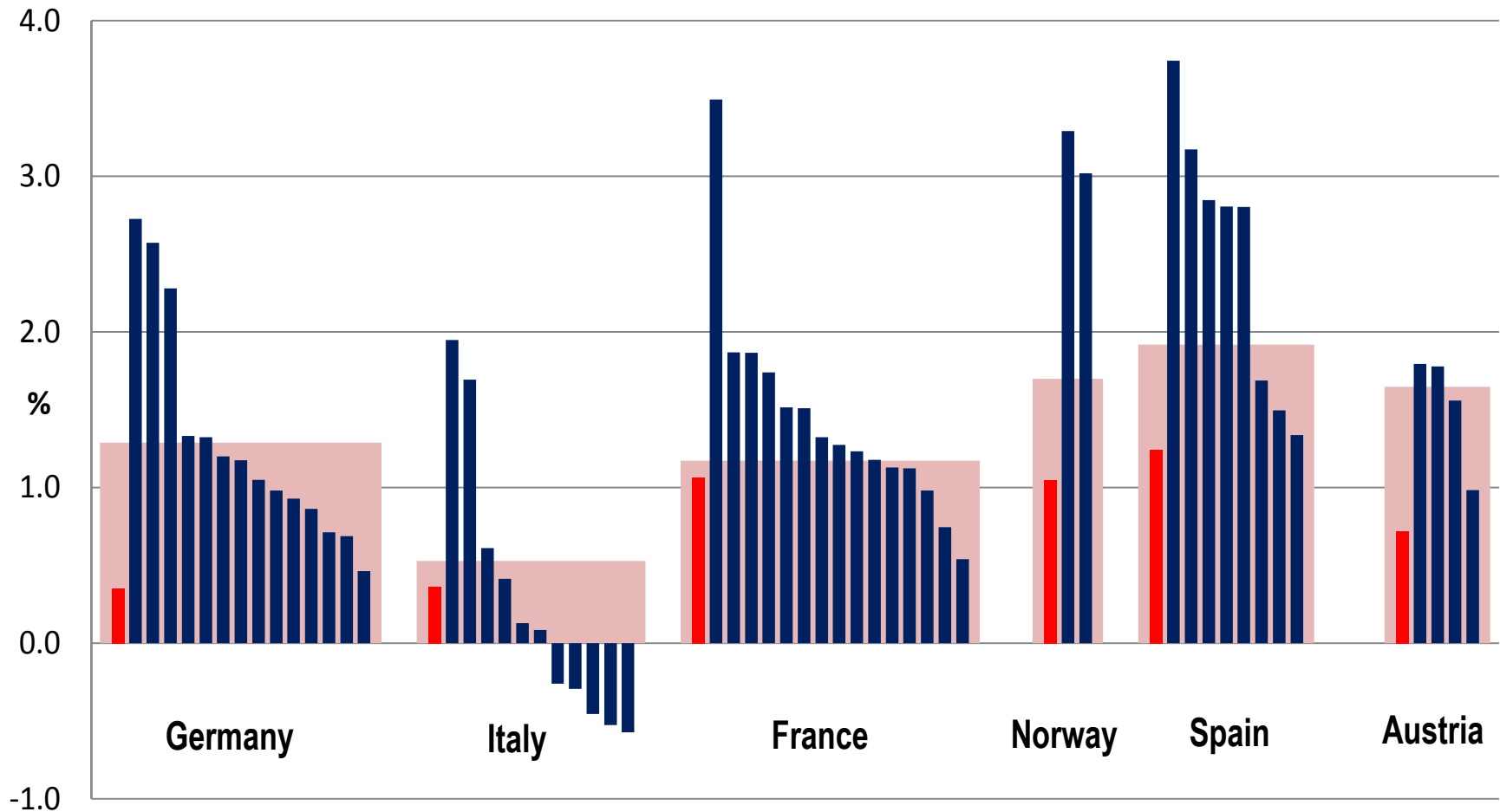


4. What Performance Messages?

Trend:
**In boom some second tiers
outperformed capitals**

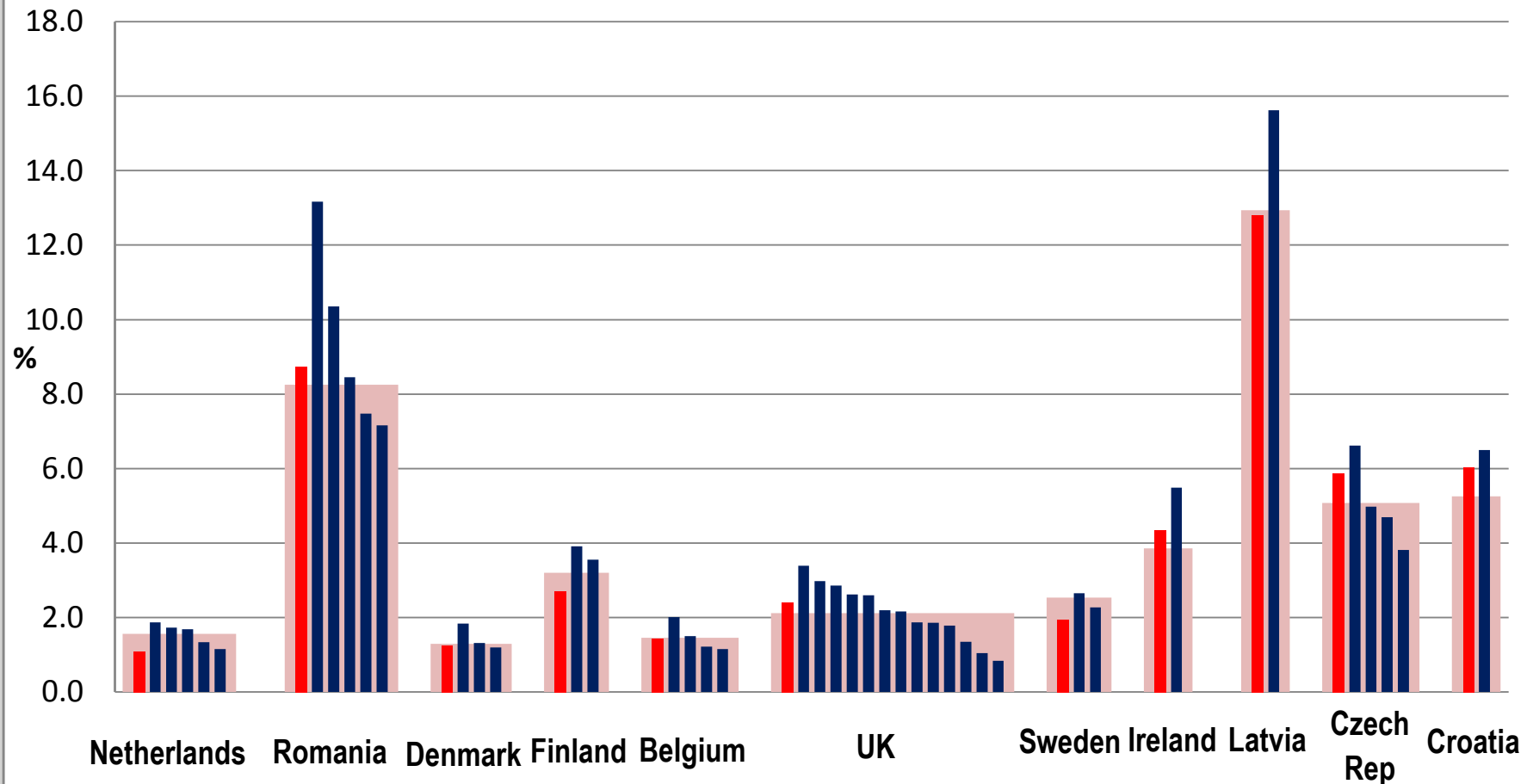
GDP per capita – average annual % change, 2000-7

Growth rate in leading second tier city over 2.5 times capital



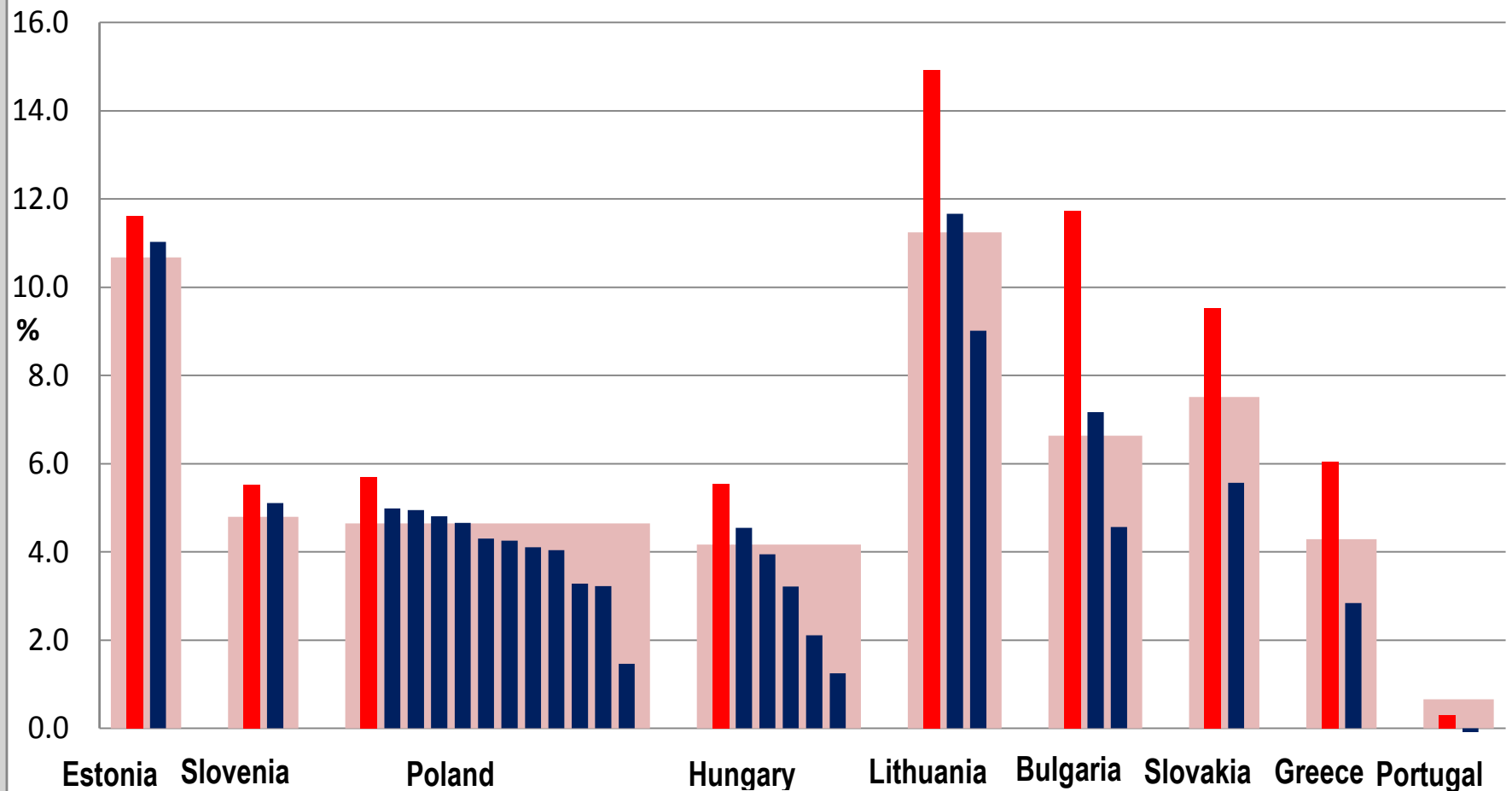
GDP per capita – average annual % change, 2000-7

Growth rate in leading second tier city 1 to 2 times capital



GDP per capita – average annual % change, 2000-7

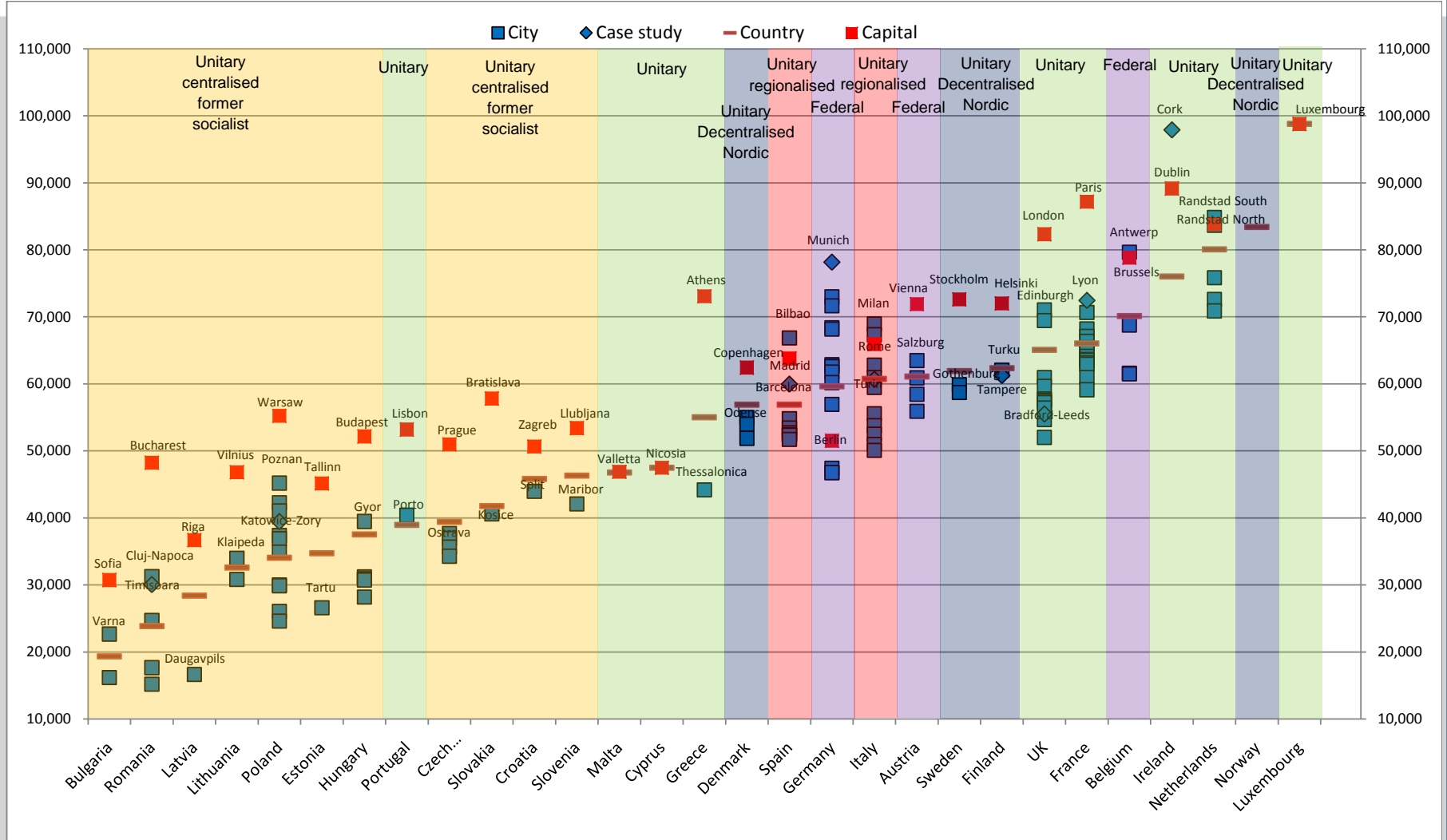
Growth rate in capital higher than in second tier cities



4. What Performance Messages?

Governance matters

Age Group	Percentage
18-24	~10%
25-34	~35%
35-44	~25%
45-54	~20%
55-64	~15%
65-74	~10%
75-84	~5%
85+	~2%

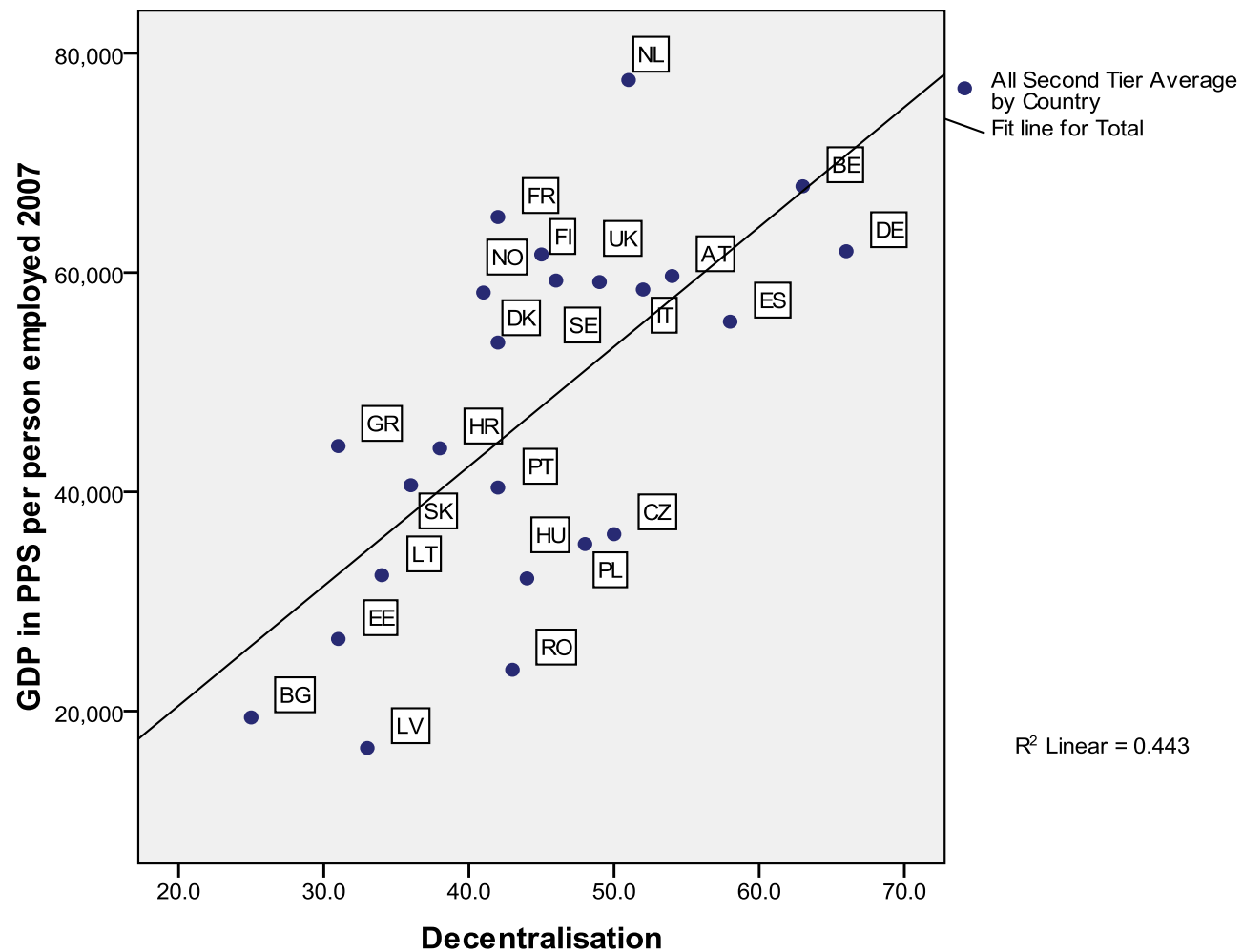


4. What Performance Messages?

Greater Decentralisation

Greater Productivity Second Tiers

Decentralisation and Second Tier Cities' Average Productivity 2007

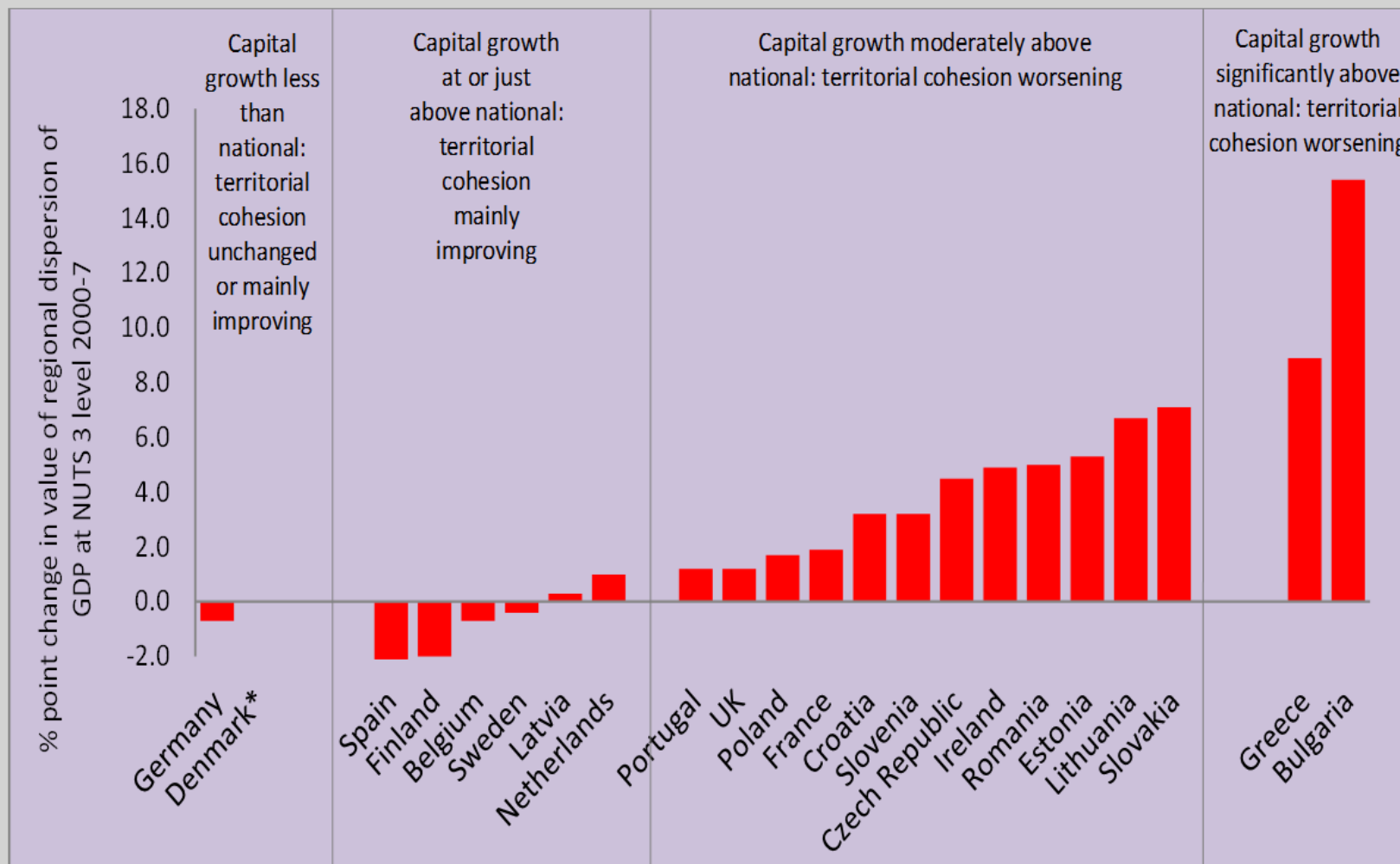


4. What Performance Messages?

Capitals grow, regional inequality grows

Second tiers grow, regional inequality falls

Capital grows more than nation: Regional inequality grows

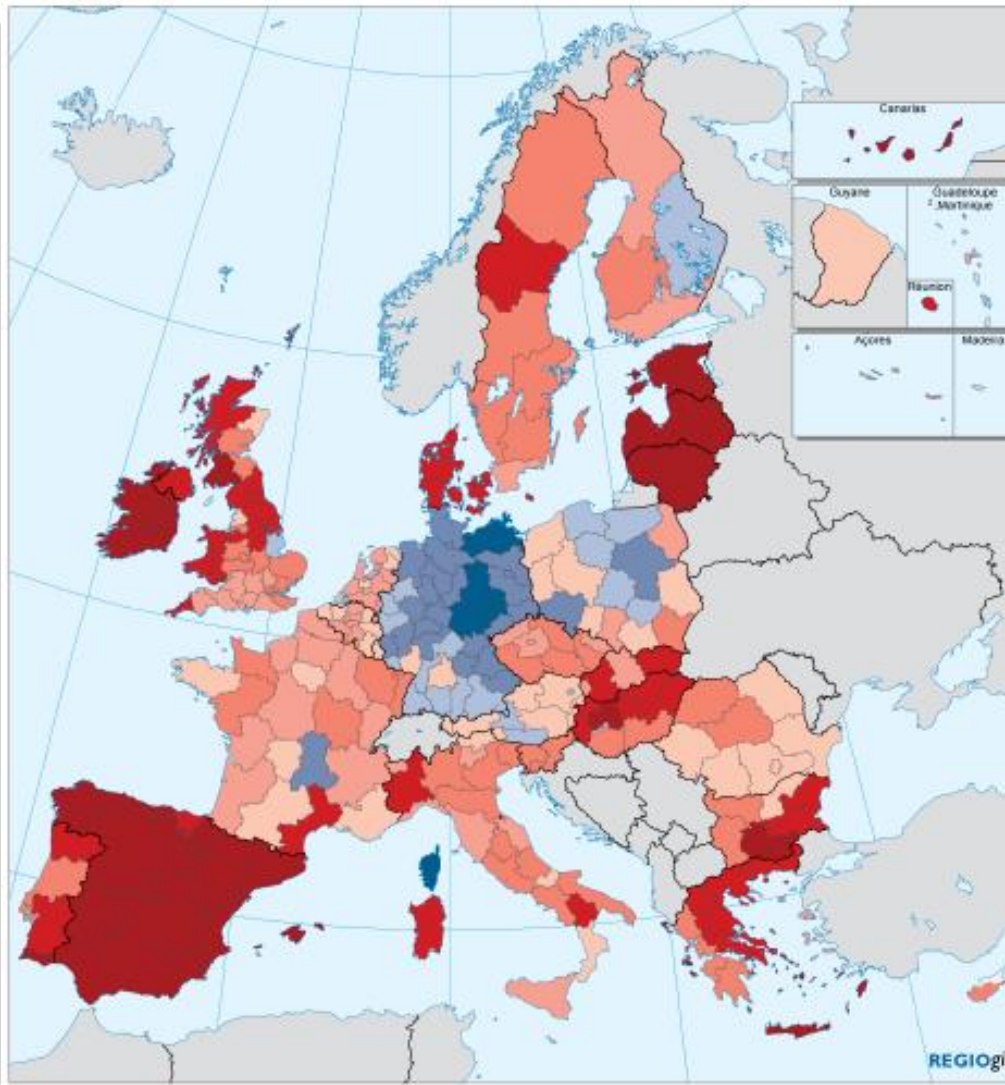


4. What Performance Messages?

SIGNIFICANT RISK:

- Crisis undermine achievements second tiers
- Competition public & private investment widen gaps *within* second tiers
- Competition widen gap *between* second tiers & capitals

Change Unemployment Rates % NUTS 2 2007-10

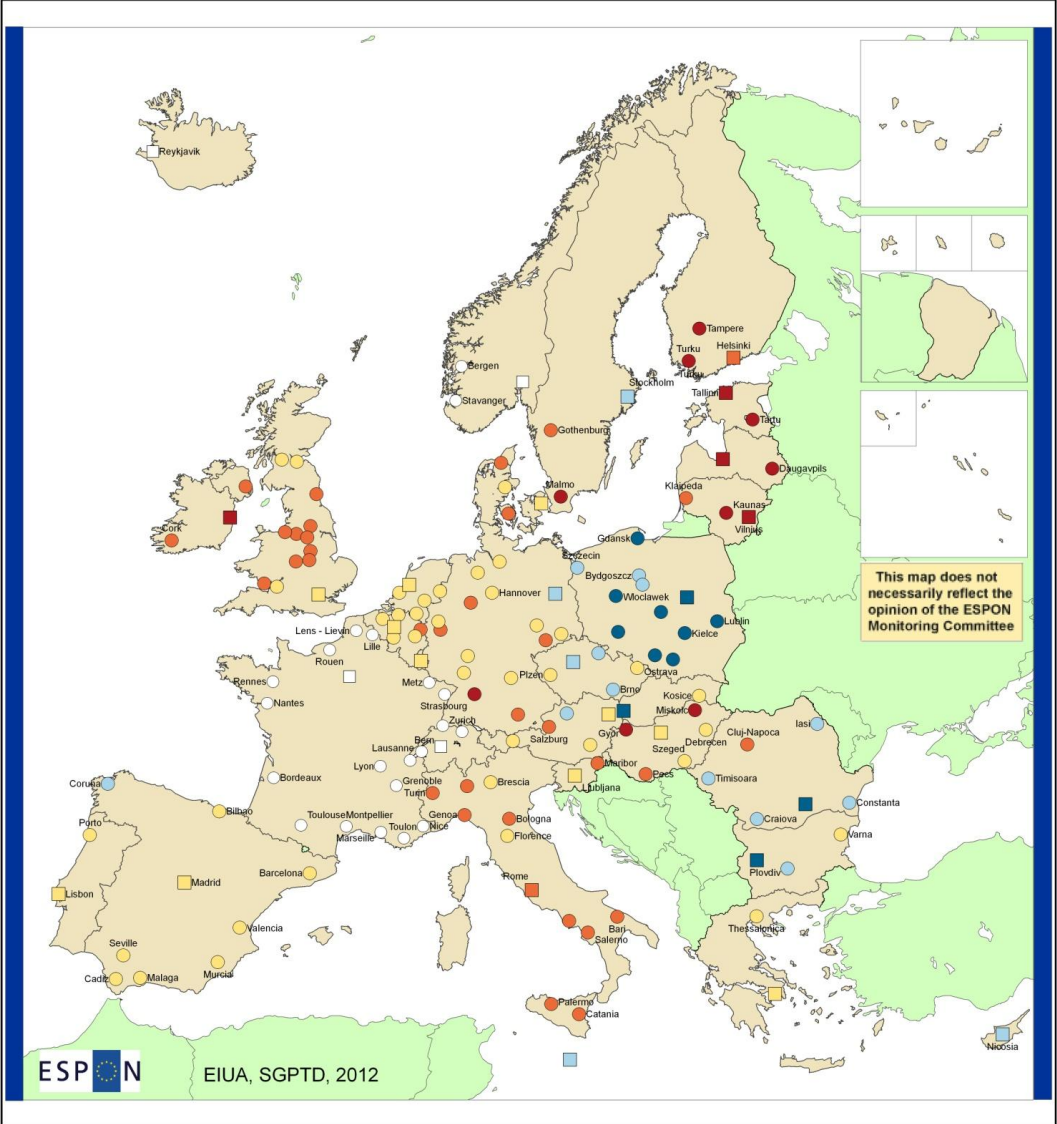


Change in unemployment rate, 2007-2010

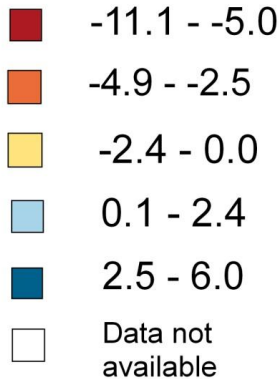
Percentage points change



Source: Bubbico & Dijkstra, 2011



**Total GDP 2007-9
Annual % Change
Capital &
Second Tier Cities**



UK City Regions – Performance in the Recession

	Leading City-regions – GDP per capita above national			Intermediate City-regions – GDP per capita 75%-100% of national			Less developed City-regions – GDP per capita less than 75% of national		
Performance 2008-9 is better than national	London	139.4	-1.6	Glasgow	96.7	-1.6	Liverpool	71.5	-1.6
	Edinburgh	132.5	-1.1	Leicester	93.9	-2.0			
	Bristol	109.8	-2.4						
Performance 2008-9 is worse than national				Belfast	96.2	-3.8	Sheffield	73.0	-3.0
				Bradford-Leeds	86.7	-2.8			
				Manchester	86.4	-3.4			
				Birmingham	84.9	-3.2			
				Nottingham	84.7	-3.1			
				Newcastle u Tyne	79.5	-2.9			
				Cardiff	75.3	-3.0			
	UK	100.0	-2.7						

4. What Policy Messages?

Policies vary and matter

4. What Policy Messages?

Policy assessment:

- Little explicit policy debate on relationship
- Countries concentrate attention, resources capitals cost second tiers
- Most focus cohesion but some focus economic performance
- Some national policies promoted urban competitiveness - innovation, diversity, skills, connectivity, place quality, governance
- Cities better countries less political centralisation & economic concentration, & cities more powers, resources, responsibilities
- Some cities helped national economy perform better

4. What Policy Messages?

Successful investment in age austerity

- Relationship capital second tiers not zero-sum, but win-win
- Diseconomies scale - governments encourage development second tier cities complement capital
- Overspill second tiers could absorb growth capital when costs outweigh benefits
- Relatively little demand artificially limit capitals
- Increase national economic pie - encourage second tiers not kill golden goose

4. What Policy Messages?

Successful investment in age austerity

- Number second tiers country sustain depends size, level development
- Smaller countries & East less scope develop second tier cities
- But policy aim should be more high performing second tiers
- More systematic national policies second tier cities
- Maximise territorial impact national policies competitiveness

4. What Policy Messages?

Successful investment in age austerity

- Decentralise responsibilities & resources, deconcentrate investment
- Territorial economic governance at scale
- Encourage financial innovation
- Greater transparency territorial investment strategies
- Mainstream money & policies matter most not urban initiatives
- Invest second tiers when (i) gap capital big, growing; (ii) weak business infrastructure because underinvestment (iii) negative externalities capital