Local and Regional Development in Crisis Periods

Andy Pike

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Local and regional development in crisis periods

Introduction

Evolutionary approaches and resilience

Dimensions of crisis

Responses

Conclusions
“Next generation resilience relies on citizens and communities, not the institutions of state...”

RESILIENT NATION

Charlie Edwards

Recession, Recovery and Reinvestment: the role of local economic leadership in a global crisis

Greg Clark

Resilience and Sustainable Development

A REPORT FOR THE SWEDISH ENVIRONMENTAL ADVISORY COUNCIL
Adaptive paths I — Enhanced

Output or Employment

Time

Shock₁

t₁
Adaptive paths II — Steady state/neutral

Output or Employment vs. Time

Shock$_1$

$t_1$
Adaptive paths III — Denuded

Output or Employment

Shock$_1$

$t_1$

Time
Adaptive capacity

“the qualities of people and institutions in place to accomplish and shape reinvention when established relations, practices and organisations are undermined by adversely shifting conditions and contexts”

Conceptual foundations

- Related variety
- Innovativeness
- Interlocutors
- Institutional connectedness and ‘recombinant’ governance
- Multi-scalar

## ‘Resilience’

<table>
<thead>
<tr>
<th>Interpretation/type of resilience</th>
<th>Main focus of interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Engineering’ Resilience (found in physical sciences)</td>
<td>Ability of a system to return to, or resume, its assumed stable equilibrium state or configuration following a shock or disturbance. Focus is on resistance to shocks and stability near equilibrium</td>
</tr>
<tr>
<td>‘Ecological’ Resilience (found in ecological sciences)</td>
<td>The scale of shock or disturbance a system can absorb before it is de-stabilized and moved to another stable state or configuration. Focus is on ‘far from equilibrium’ behaviour of system</td>
</tr>
<tr>
<td>‘Adaptive’ resilience (found in complex adaptive systems theory)</td>
<td>The ability of a system to undergo anticipatory or reactionary reorganization of form and/or function so as to minimize impact of a destabilizing shock. Focus is on adaptive capability of system</td>
</tr>
</tbody>
</table>

Dimensions of crisis I –
The ‘credit crunch

Chart 1.5  Financial market liquidity\(^{(a)}\)

Dimensions of crisis II – Collapsing output and recession

Real GDP annual % change, 2000-10

Dimensions of crisis III – Falling employment

Employment outlook, high-income countries, 2004-15

Panel A. Total employment outlook (Pre-crisis level = 100)

PROJECTIONS

no recovery to date

Baseline scenario

Pessimistic growth scenario

Trough

Dimensions of crisis IV – Financial System breakdown

Redundancies by postcode district, 2008

Source: http://www.marketoracle.co.uk/images/northern-rock.jpg; CURDS Research.
Share price collapse

Northern Rock, Share Price, 30/09/97-15/02/08

Source: Authors’ calculation from Datastream (unadjusted prices)
Dimensions of crisis V – Rising public debt

Public debt as % of GDP, 1950-2010

Dimensions of crisis VI – Sovereign debt crises

2. Government Bond Yields\(^1\) (percent)

- United States
- Spain
- Germany
- Japan

Dimensions of crisis VII – Slow, weak growth

Euro area GDP forecasts, 2006-14

Responses I – Austerity

Planned Public Finances, UK, 1997/98-2015/16

Figure 1: Total discretionary consolidation (£ bn)

## Estimated Public and Private Sector Employment Loss by region, 2014-15

<table>
<thead>
<tr>
<th>Region</th>
<th>Number (000s)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>122</td>
<td>3.1</td>
</tr>
<tr>
<td>South East</td>
<td>112</td>
<td>3.1</td>
</tr>
<tr>
<td>North West</td>
<td>108</td>
<td>3.7</td>
</tr>
<tr>
<td>Scotland</td>
<td>95</td>
<td>4.1</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>82</td>
<td>3.7</td>
</tr>
<tr>
<td>South West</td>
<td>81</td>
<td>3.5</td>
</tr>
<tr>
<td>West Midlands</td>
<td>80</td>
<td>3.6</td>
</tr>
<tr>
<td>East</td>
<td>74</td>
<td>3.2</td>
</tr>
<tr>
<td>East Midlands</td>
<td>58</td>
<td>3.2</td>
</tr>
<tr>
<td>Wales</td>
<td>52</td>
<td>4.3</td>
</tr>
<tr>
<td>North East</td>
<td>43</td>
<td>4.1</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>36</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>UK Total</strong></td>
<td><strong>943</strong></td>
<td><strong>3.4</strong></td>
</tr>
</tbody>
</table>

Employment change in US local government, 1969-2012

US State strategies for closing budget gaps, 2008-14

Across-the-board percentage cuts
Targeted cuts
Rainy day fund
Layoffs
Furloughs
Salary reductions
Cuts to employee benefits
Early retirements
Reorganization of agencies
Privatization
Reduction in aid to localities
User fees
Higher education fees
Court related fees
Transport related fees
Business related fees
Lottery expansion
Gaming/gambling expansion

“The American Jobs Act answers the urgent need to create jobs right away. But we can’t stop there. We have to … start building an economy that lasts into the future — an economy that creates good, middle-class jobs that pay well and offer security… If we want [companies] to start here and stay here and hire here, we have to be able to out-build and out-educate and out-innovate every other country on Earth” (President Barack Obama, 8 Sept, 2011)
Estimated direct staff by LEP area

Source: National LEP survey
<table>
<thead>
<tr>
<th>‘Unbalanced’</th>
<th>‘Rebalanced’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over-reliance on (financial) services</td>
<td>Services <em>and</em> manufacturing</td>
</tr>
<tr>
<td>High levels of corporate and consumer debt</td>
<td>Reduced levels of corporate and consumer debt</td>
</tr>
<tr>
<td>High levels of imports, negative trade balance</td>
<td>Reduced imports, higher levels of exports, positive trade balance</td>
</tr>
<tr>
<td>Spatial concentration in core regions</td>
<td>Spatial deconcentration to peripheral regions</td>
</tr>
</tbody>
</table>
“Our ambition is to foster prosperity in all parts of the country, harnessing the great potential across the range of industries in the UK. Opportunity must not be confined to particular postcodes, and hardworking and talented individuals must not be denied the chance to succeed. Instead, we must rebalance our economy, ensuring that growth is spread and prosperity shared”

Source: Nick Clegg, Deputy Prime Minister, quoted in BIS (2010: 3) Local Growth: Realising Every Place’s Potential, Cm7961, Department for Business, Innovation and Skills: London.
% of national GDP in 10% TL3 regions with largest GDP, 1995-2007

Source: OECD (2011)
Regions at a Glance, OECD: Paris
GDP per capita by region, China, 1952-2010

“Close allies, Conservative MPs and sympathetic think-tanks advise [the Prime Minister] that the quest for economic growth must trump all other considerations … There are calls to postpone dreams of ‘rebalancing’ the economy away from the finance oriented City of London and the south-east of England: this is a moment for helping the strongest first”

Source: “Bagehot”, The Economist, 26 November 2011

Source: European Commission (2010)
“...the formula should seek to allocate funds to areas which are best placed to deliver early growth...We will use a formula based on two components: population and employed earnings. This is a relatively simple formula that accounts for the size of the local enterprise partnership, and provides a good proxy for the economic activity”
GPF allocations per capita by LEP area, 2012

Source: Author's calculations from CLG data.
Public asset leasing – Chicago Skyway Bridge

• Modernisation, 2001-04 - $250m cost

• 2005 ➔ 99-year lease to private company for $1.83bn – capital invested in:
  • Bridge improvements
  • City of Chicago debt and budget relief
  • Additional infrastructure projects and public goods
  • Raised credit rating for the City.
‘The Green New Deal’

A Green New Deal

Joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices

The first report of the Green New Deal Group


- Low carbon energy system
- ‘Carbon army’ of workers for environmental construction and retro-fitting
- Financial regulation and innovation
‘Community Economies’

wage labor produce for a market in a capitalist firm
in schools on the street
in neighborhoods unpaid
within families in church/temple
the retired between friends
gifts self-employment volunteer
barter moonlighting children
informal lending not for market illegal
not monetized self-provisioning
under-the-table producer cooperatives
consumer cooperatives non-capitalist firms

Source: http://www.communityeconomies.org/Home
Conclusions

Crisis and disruptive change

Evolution and adaptive paths regionally/locally

Adaptive capacity

Resilience

Dimensions of crisis – testing adaptive capacity

Responses – austerity versus stimulus, institutional change, rebalancing versus ‘spatial spikes’, experimentation and alternatives
Acknowledgements

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