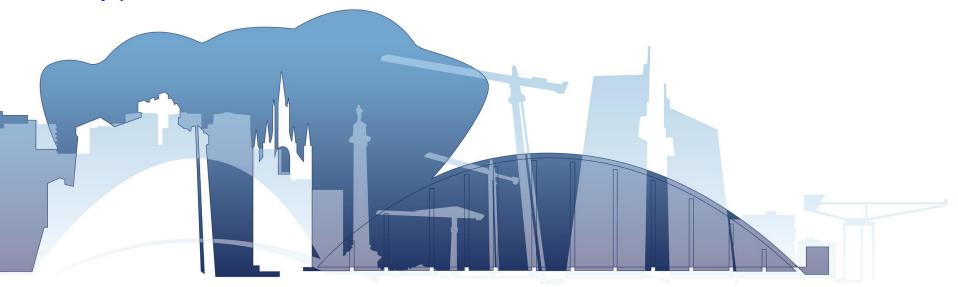


Local and Regional Development in Crisis Periods

Andy Pike

'Regional Policy in the Global Context: Present Situation and New Perspectives' International Seminar, 19-21 March 2013, Brasilia

Professor of Local and Regional Development andy.pike@ncl.ac.uk









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..."



INSTITUTE OF URBAN AND REGIONAL DEVELOPMENT

MACARTHUR FOUNDATION
RESEARCH NETWORK ON
BUILDING RESILIENT REGIONS

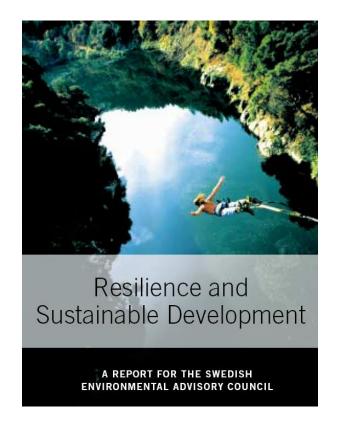
RESILIENT NATION

Charlie Edwards

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

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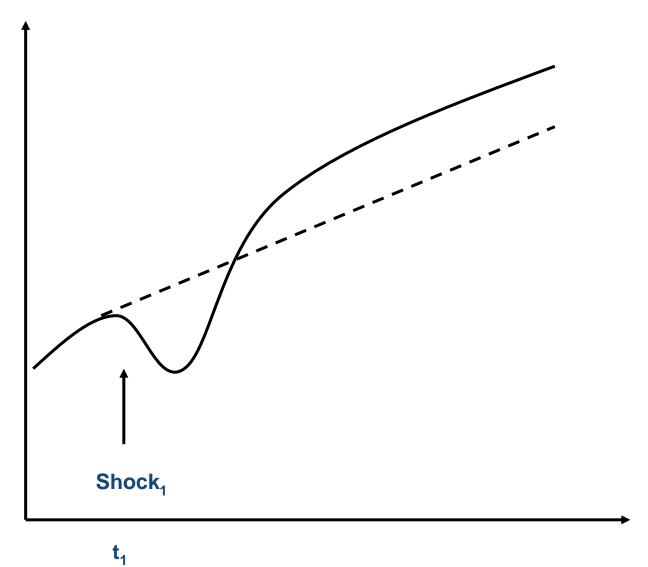


Adaptive paths I — Enhanced





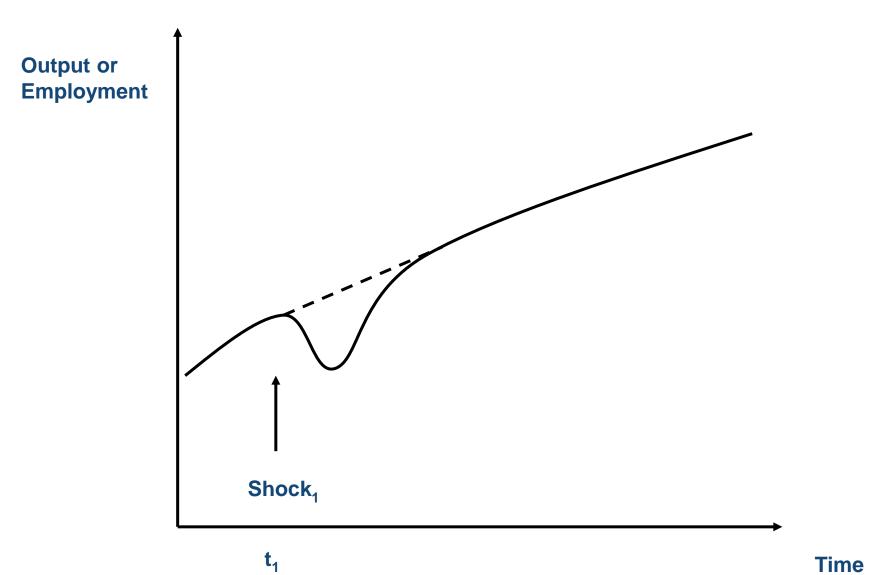




Adaptive paths II — Steady state/neutral





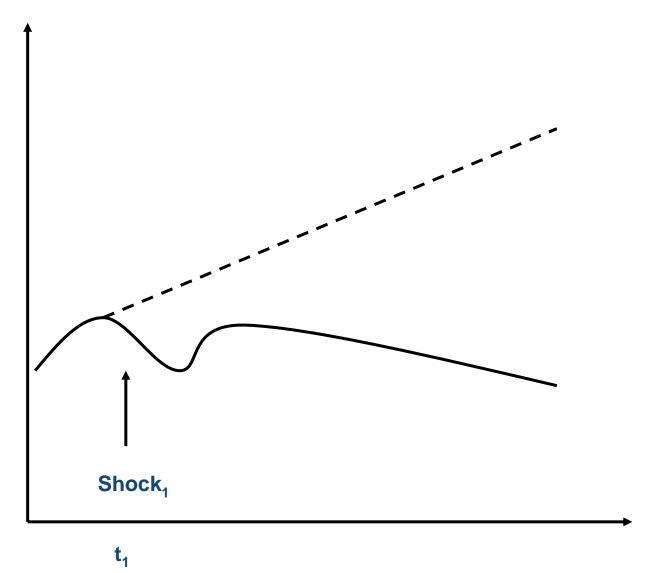


Adaptive paths III — Denuded









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'





Interpretation/type of resilience	Main focus of interest	
'Engineering' Resilience (found in physical sciences)	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	
'Ecological' Resilience (found in ecological sciences)	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	
'Adaptive' resilience (found in complex adaptive systems theory)	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	

Source: Martin, R. (2012) "Regional economic resilience, hysteresis and recessionary shocks", <u>Journal of Economic Geography</u>, 12, 1-32.

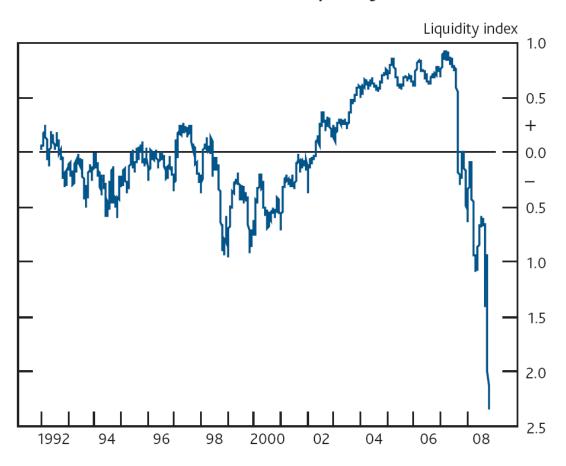
atrice Rais Redit Problems Spur Layoffs Lown To block Job Cuts Anticina Eirst Into Recession Anticipating Stocks Plum The Recession Is Deepening Market Downturi JAMIN EST Recession Cessa Wie Finance kets slur Global C. F. F. Bar Bar h. J. De. The Depression Bankruptcy Delle

Dimensions of crisis I – The 'credit crunch





Chart 1.5 Financial market liquidity^(a)



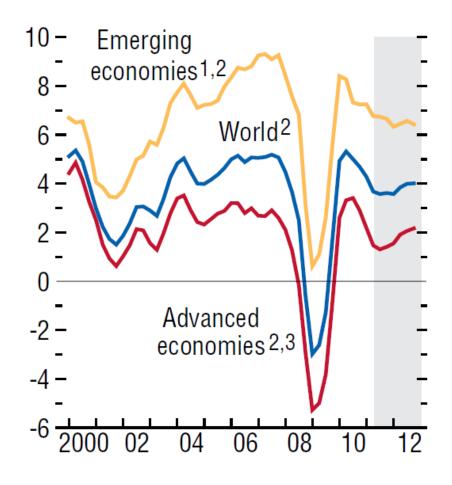
Source: Bank of England (2008) <u>Financial Stability Report</u>, 24, October, Bank of England: London.

Dimensions of crisis II – Collapsing output and recession





Real GDP annual % change, 2000-10



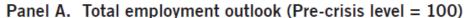
Source: IMF (2011) World Economic Outlook, IMF: Washington

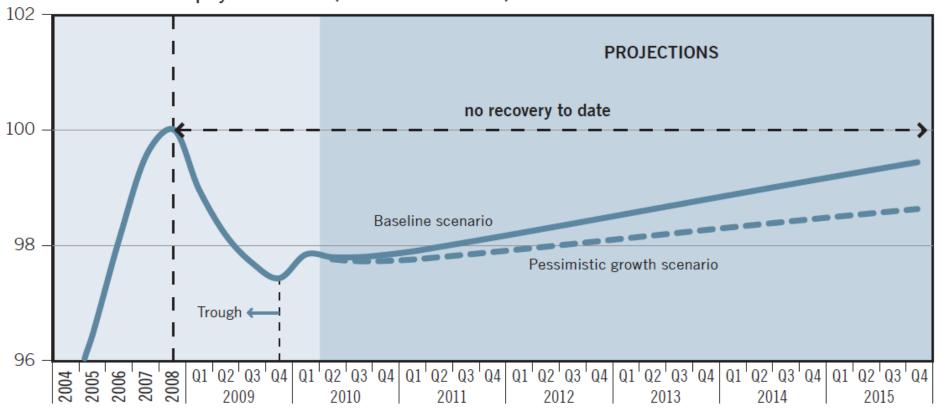
Dimensions of crisis III – Falling employment





Employment outlook, high-income countries, 2004-15





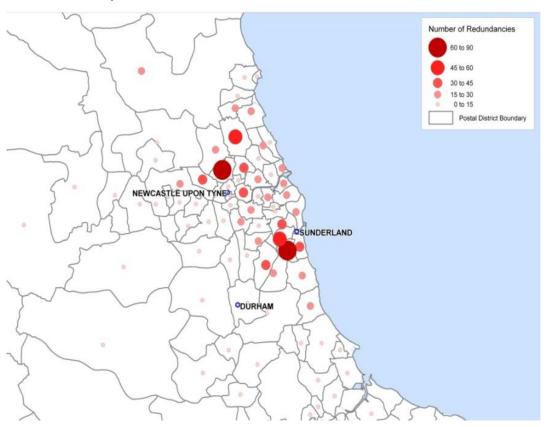
Source: ILO (2011) World of Work Report, ILO: Geneva

Dimensions of crisis IV – Financial System breakdown





Redundancies by postcode district, 2008







House of Commons Treasury Committee

The run on the Rock

Fifth Report of Session 2007-08

Report, together with formal minutes

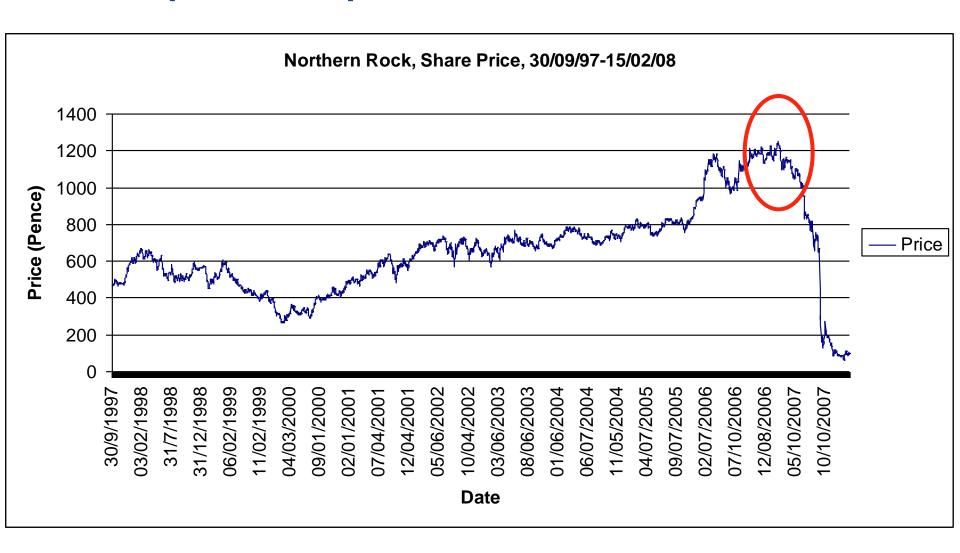
dered by The House of Commons

HC 56-4 corporating HC 999 I-Iv, Session 2006-07 Published on Saturday 26 January 2008 by authority of the House of Commons London: The Stationery Office Limited

Share price collapse





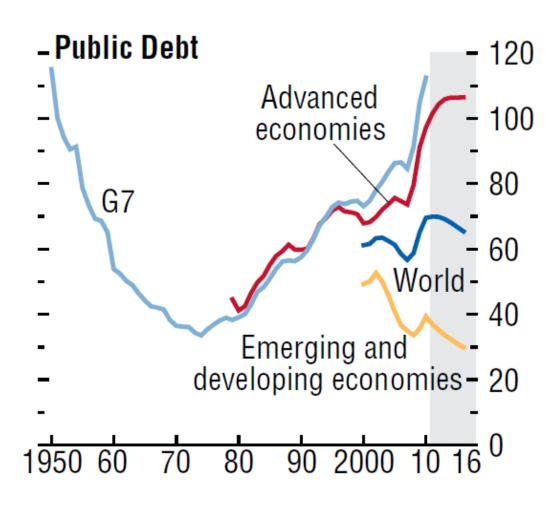


Dimensions of crisis V – Rising public debt





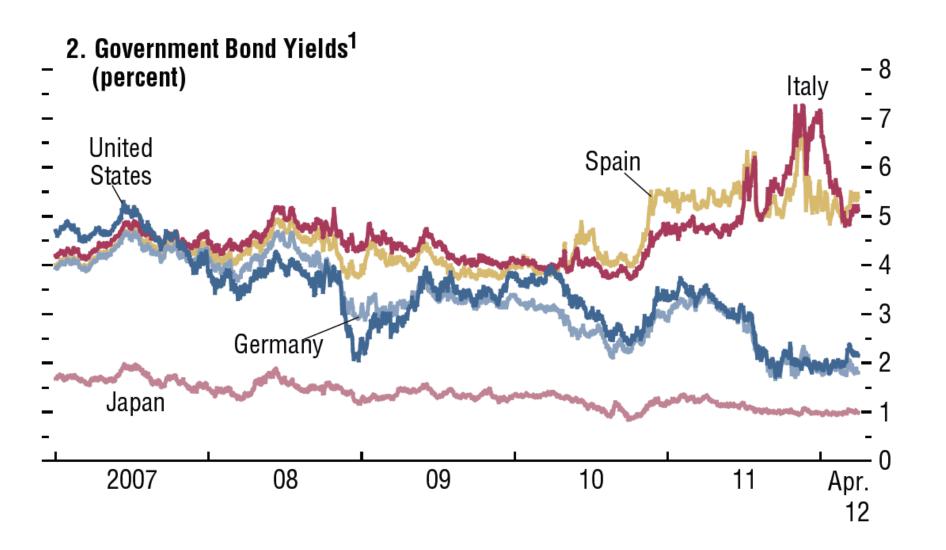
Public debt as % of GDP, 1950-2010



Dimensions of crisis VI – Sovereign debt crises





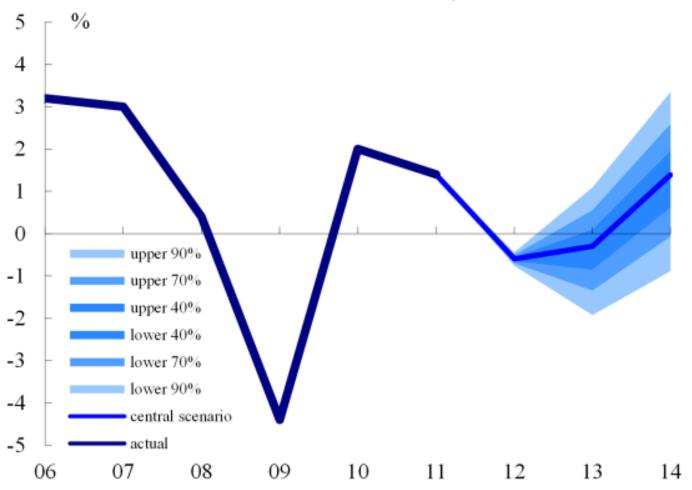


Dimensions of crisis VII – Slow, weak growth





Euro area GDP forecasts, 2006-14



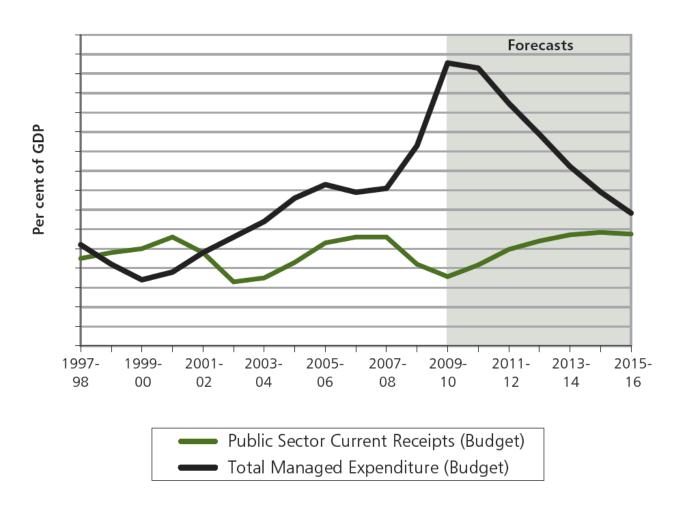
Source: European Commission (2013) <u>European Economic Growth</u> <u>Forecast – Winter 2013</u>, CEC: Brussels.

Responses I – Austerity





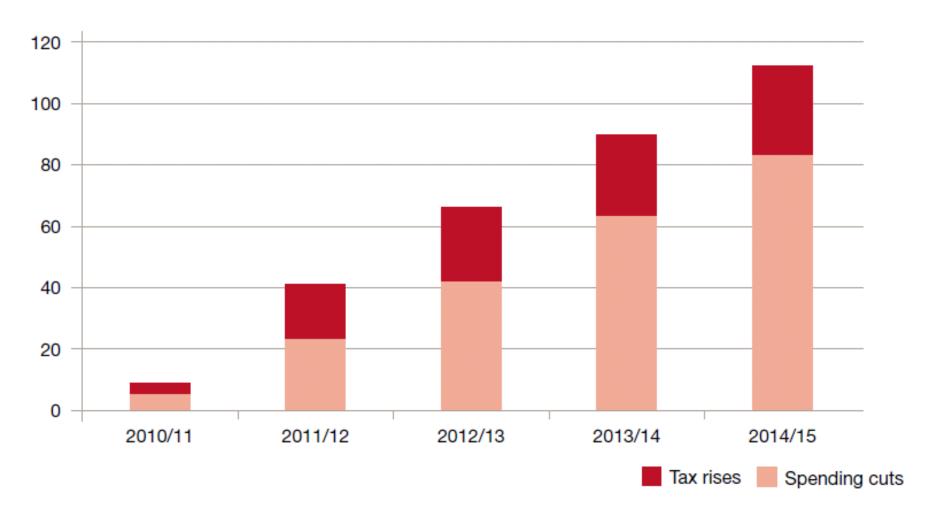
Planned Public Finances, UK, 1997/98-2015/16



Source: HM Treasury (2010: 13) Spending Review 2010, Cm 7942, HM

Treasury: London.

Figure 1: Total discretionary consolidation (£ bn)



Source: PricewaterhouseCoopers (2010) <u>Sectoral and Regional Impact of the Fiscal Squeeze</u>, PwC: London.

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





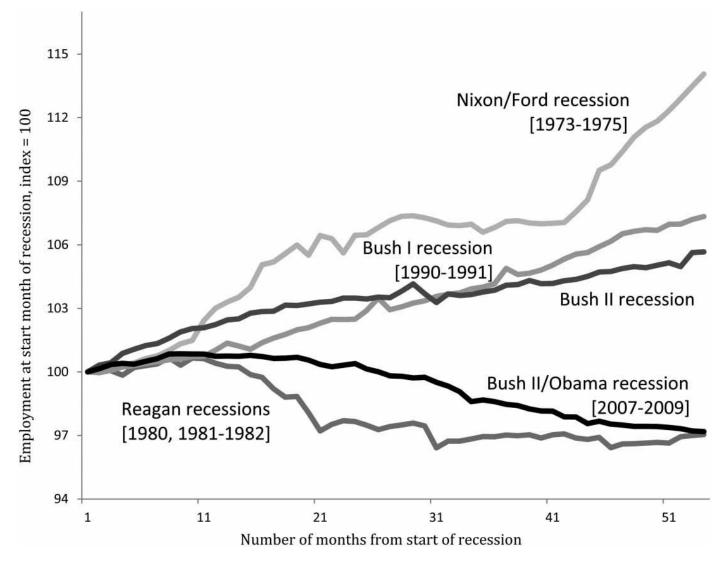
Region	Number (000s)	% of total
London	122	3.1
South East	112	3.1
North West	108	3.7
Scotland	95	4.1
Yorkshire and the Humber	82	3.7
South West	81	3.5
West Midlands	80	3.6
East	74	3.2
East Midlands	58	3.2
Wales	52	4.3
North East	43	4.1
Northern Ireland	36	5.2
UK Total	943	3.4

Source: PricewaterhouseCoopers (2010) <u>Sectoral and Regional Impact of the Fiscal Squeeze</u>, PwC: London.





Employment change in US local government, 1969-2012

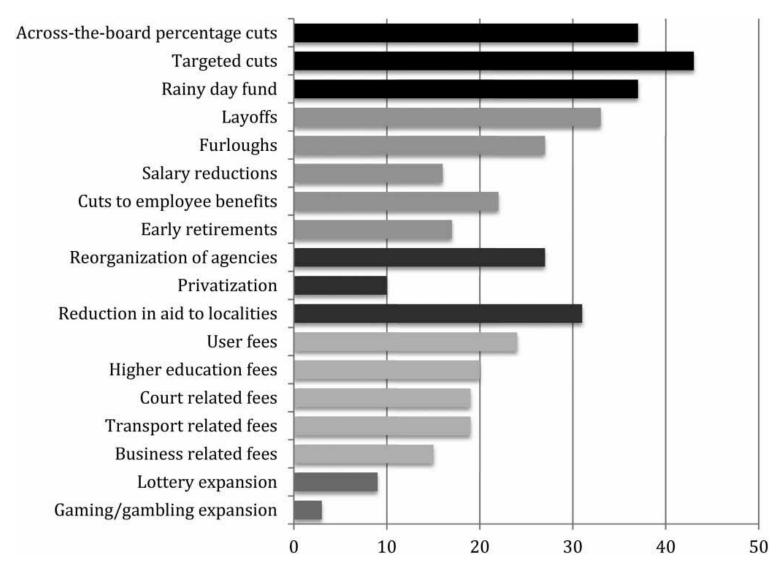


Source: Peck, J. (2012) "Austerity urbanism", <u>City</u>, 16, 6, 626-655.





US State strategies for closing budget gaps, 2008-14



Source: Peck, J. (2012) "Austerity urbanism", City, 16, 6, 626-655.

Responses II – Stimulus







"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)

Responses III – Institutional change





Data Sources:

Kilometres 0 15 30 60

REGIONAL DEVELOPMENT AGENCIES: ENGLAND



Regional Development Agencies: England (MSU 07/9)

Local Enterprise Partnerships & Enterprise Zones 1 Greater Birmingham and Solihull Enterprise Zones 2 Marches XXX LAs in overlapping LEPs 3 Coventry and Warwickshire 4 West of England 5 Leeds City Region 6 Sheffield City Region 7 Greater Manchester 8 Liverpool City Region 9 Cheshire and Warrington 10 Cumbria 11 Greater Cambridge and Greater Peterborough 12 Hertfordshire 13 Oxfordshire 14 Nottingham, Nottinghamshire, Derby, and Derbyshire 15 Leicester and Leicestershire 16 Solent 17 Greater Lincolnshire 18 South East 19 South East Midlands 20 Tees Valley 21 Coast to Capital 22 Comwall and the Isles of Scilly 23 Thames Valley Berkshire 24 Stoke-on-Trent and Staffordshire 25 New Anglia 26 Black Country 27 Worcestershire 28 North Eastern 29 York and North Yorkshire 30 Enterprise M3 31 London 32 Heart of the South West 33 Lancashire 34 Gloucestershire 35 Humber 36 Dorset 37 Swindon and Wiltshire 38 Northamptonshire Isles of Scilly Inset

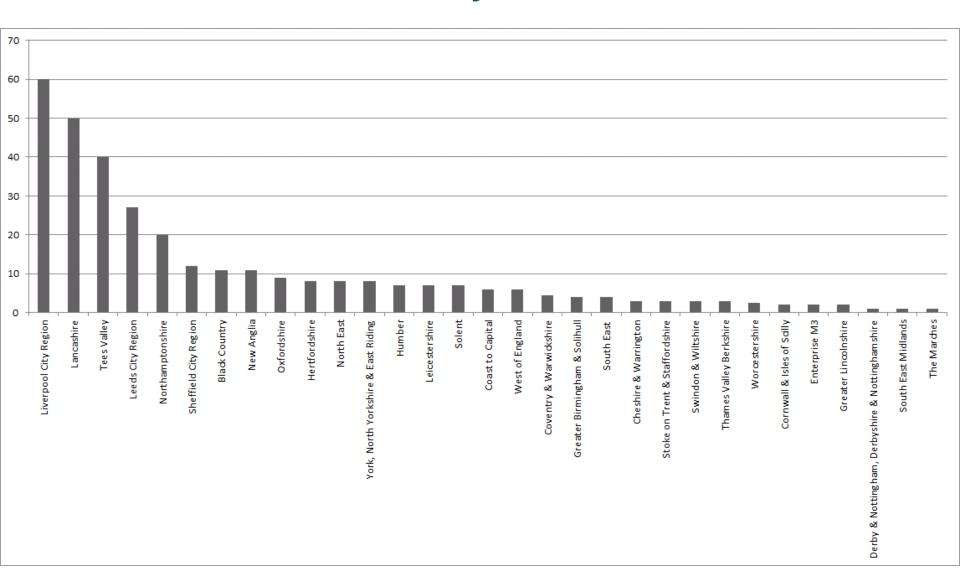
Produced by the Spatial and Statistical Analysis Team, AID

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Estimated direct staff by LEP area



Source: National LEP survey

Responses IV – Rebalancing





'Unbalanced'

Over-reliance on (financial) services

High levels of corporate and consumer debt

High levels of imports, negative trade balance

Spatial concentration in core regions

'Rebalanced'

Services and manufacturing

Reduced levels of corporate and consumer debt

Reduced imports, higher levels of exports, positive trade balance

Spatial deconcentration to peripheral regions

Rebalancing, UK





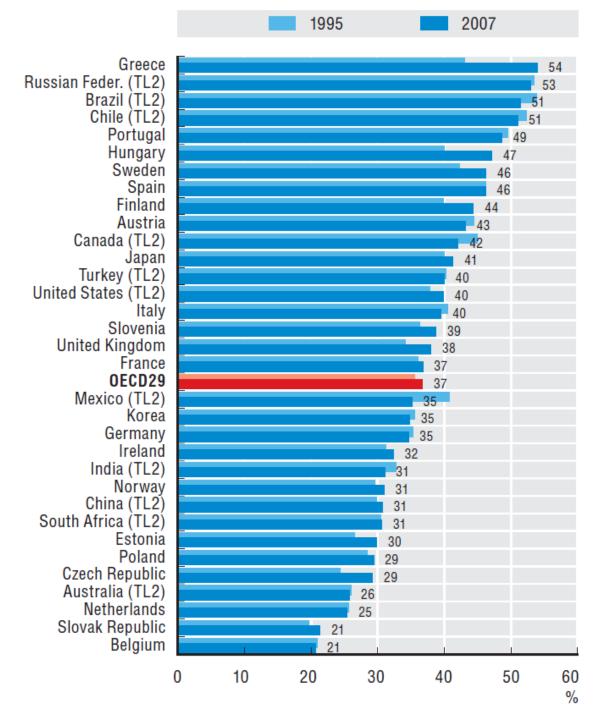
"Our ambition is to foster prosperity in all parts of the country, harnessing the great potential across the range of industries in the UK. Opportunity must not be confined to particular postcodes, and hardworking and talented individuals must not be denied the chance to succeed. Instead, we must rebalance our economy, ensuring that growth is spread and prosperity shared"

Source: Nick Clegg, Deputy Prime Minister, quoted in BIS (2010: 3) <u>Local Growth:</u> <u>Realising Every Place's Potential</u>, 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,

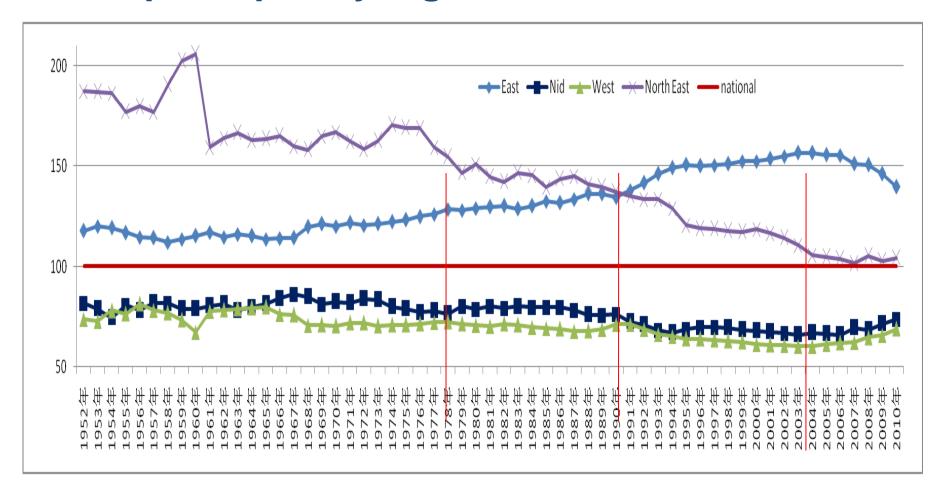
OECD: Paris





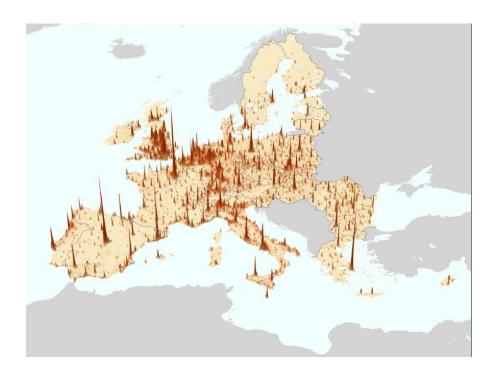


GDP per capita by region, China, 1952-2010



Responses V – "helping the strongest first"

Spatial concentration in the EU



Source: European Commission (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"

Growing Places Fund (GPF), England

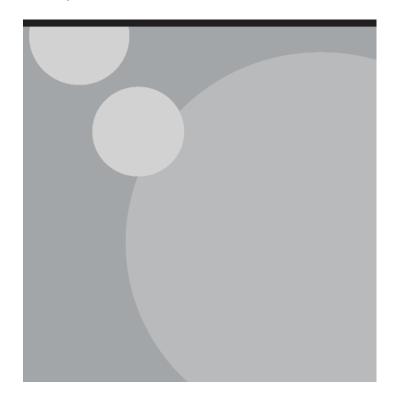








Growing Places Fund Prospectus



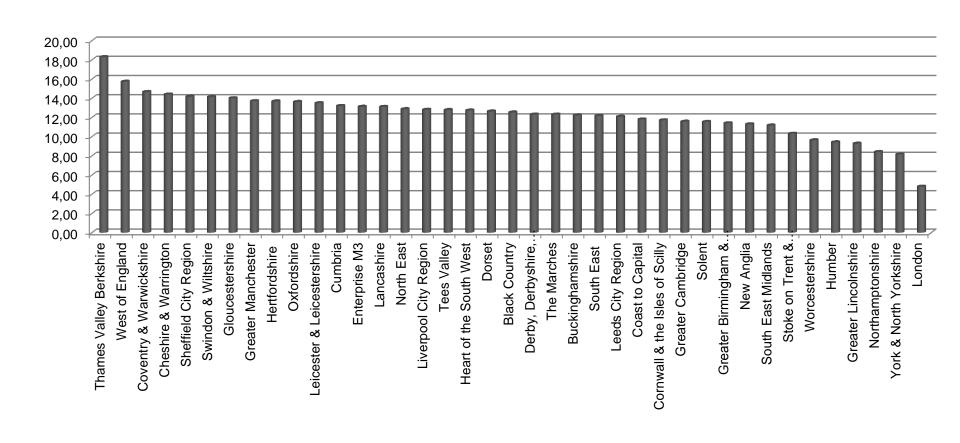
"...the formula should seek to allocate funds to areas which are best placed to deliver early growth...We will use a formula based on two components: population and employed earnings. This is a relatively simple formula that accounts for the size of the local enterprise partnership, and provides a good proxy for the economic activity"

Source: Department for Communities and Local Government (2011) <u>Growing Places</u> Fund Prospectus, CLG: London.





GPF allocations per capita by LEP area, 2012



Responses VI – Experimentation





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'





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 retrofitting
- Financial regulation and innovation

'Community Economies'



wage labor produce for a market in a capitalist firm

on the street in schools in neighborhoods within families unpaid in church/temple between friends the retired volunteer gifts self-employment children barter moonlighting illegal informal lending not for market self-provisioning not monetized producer cooperatives under-the-table

consumer cooperatives

non-capitalist firms



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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