

**Professor Michael Parkinson, Director, European Institute for Urban Affairs,
Liverpool John Moores University.**

It is a great pleasure to be here. Let me do my thanks first to Tina, who has been rushing around like a mad thing with the others organising all this. The reason I'm really here is because of Pat Ledwidge,¹ all of us in this life depend on people helping us out and he helped me out, sometimes you depend on people helping you out at the right time and he did. I got stuck with this big European grant and had to do a small city and we found Cork, and I thought: 'Who do I know there?' Pat helped me out, he brought me over, he showed me the place, he got people in a room and I'm now the world's leading expert on Cork, outside Cork.

Having said all that it's a bit of a problem, I'm standing between you and lunch, the time's all gone, I'm the last speaker and all has already been said. But as someone² who never got elected to the American Presidency once said to me 'Always remember that everything has been said but not yet everybody has said it, so just say it again.'

I thought I've come to the wrong conference, I thought they're not going to like this but they can have a sleep but where José³ ended in his talk was on governance and what I'm going to talk about what I know, you can call it governance, but it's actually about politics.

I'm going to talk about the political economy and economic performance.

I'm going to talk about a project I did. I've worked for the European Commission, the UK government for many, many years advising on urban policy, what to do, where it went wrong, what you're going to do better next time. There's nothing new under the sun, it all comes back to and, don't trust in acronyms, it's all dead simple stuff, you know it, I know it, just do it.

This is a report⁴ which I did for something called ESPON which is a big European programme, and we did a nice piece of work, we tried to ask a question which is dear to my heart: Why should the capitals get all the bloody money?

Well to answer that question and to say deconcentrate investment and decentralise responsibility – to can't just say that, you've got to get some evidence that if you do you increase your economic performance. And I think we did a piece of work which actually showed for the first time that there's a very close relationship between political economy, governance and economic performance and, quite simply, if you

¹ Pat Ledwidge -

² Name unintelligible – editor.

³ José Arriba, fellow speaker

⁴ Second Tier Cities in Europe: In an Age of Austerity Why Invest Beyond the Capitals? (Liverpool JMU & European Institute of Urban Affairs, 2012)

deconcentrate investment and decentralise decision making you get more high performing cities, you get a more high performing national economy and you get a more successful European economy. QED. Do not listen to free market economists, do not listen to agglomeration economists, trust yourself, you know, and the great thing about Cork is that it's a good example. I not only like you, I've got some figures showing that you helped me.

Five questions - what do we do and how do we do it? That's not very interesting. I think the three questions of interest to you are: What are the key messages about urban performance that I've discovered looking across 155 European cities in 31 European countries? Secondly, what are the policy messages for different kinds of people about economic performance and governing? And, thirdly, I think it's patronising to come to a place and not at least have a go and say something about what I take to be your position, then you can tell me I got it wrong or whatever.

So finally I'll take a punt on basically challenges and issues about Ireland and Cork, given what I'm about to tell you.

What are we trying to do? We're actually trying to get to answer the question what is the relative contribution that different sized cities make to the European economy? As José already said, don't worry about size, it doesn't matter and every place can make a contribution, but we can make cuts in size.

How can second tier cities contribute? Second question - Who's actually punching their weight in Europe and nationally? Which cities are really doing well? Thirdly, we're in the fifth year of a crisis, which may or may not be the worst crisis we've had for a long time, it's certainly bad.

What has been the territorial impact and what have been the implications of that crisis to urban Europe, to cities, and to Cork? And the obvious question - well, lovely, Michael - Who is going to do much better or differently in the future?

To answer the question what are these second tiers, I don't really care what the definition is. Basically I've taken 31 countries in Europe - which is the EU 27 plus S one. I've said let's look at the capital cities then let's look at the next largest cities below them whose performance really matters to the national economy. The Minister and Michael ⁵ went on a lot about data - I've got the richest database you ever want to find on 155 cities on X indicators over X periods of time. I'm not going to bore you with that today, but if you are going to persuade a politician to do what he knows he needs to do you've got to say to the Minister - there's the facts. We collected all the data on agreed European Union and OECD boundaries. And again to speak the bleeding obvious, as Mrs Fawlty says, and the Minister spoke about the obvious, this is about the city region. No point talking about municipal boundaries, small places, it's cities that function in real economies.

⁵ Minister Seán Sherlock & Professor Michael Osborne, fellow speakers.

The EU is very concerned about this, because it's concerned about what's the story across Europe, what's the difference in performers between different kinds of places, what is the gap between the capitals and other cities and what's the direction of change? Because they get a lot of pressure, particularly from the east, to invest all the money in the capital because the argument is that you need to have a successful capital to fire your national economy, yes you do, it's necessary but not sufficient.

Actually, are any Member States talking about this? Is any country discussing the issue? Where should we invest scarce resources in the crisis? Or should we just do what we've always done in the sense that to him or her who has shall be given.

And the next question – in the different Member States, what's the debate? Is it all about cohesion, which is important, or is it about economic competitiveness, which is important also? Is there any explicit concern about this? Are Member States actually having any concerns about the territorial urban spatial impact of their policies? Are any countries across Europe trying to think more about how they are going to raise their performance, greater targeting, helping increase capacity, more powers and resources, fewer constraints.

That last set of questions is enormously significant in Ireland and Cork. You are over centralised, under developed and lack capacity at local level.

The story of Cork is a triumph against the bloody odds, actually. It has done well despite governance frameworks.

What I'm trying to do is test the argument: if you deconcentrate investment, and decentralise responsibilities and you give resources to local governance, you get better performing urban national economies. That in fact you have more good second tier high performing cities, you'll increase the national and European economy.

What I'm arguing is that this is not a conflict or antagonism between capital cities and the rest. What I'm really arguing is that it's a win-win, zero sum argument. Free market and agglomeration economists will always tell you that you back the capital, or somewhere else. Technically speaking that's bollocks and you just need to get both. It's also the case that performance of cities they have to do what they can, and you should do what you can on your patch, but national policy really dramatically affect it.

When the Minister was talking about the global players down the road, in Tyndall and CIT and Pharma and all of that, you've got to connect to that because I've a very simple take on this. I live in and love Liverpool. I've written about its Renaissance in performance, I wrote about its crisis. But I tell you that economic growth does not guarantee social cohesion. I can absolutely tell you that it's very difficult to redistribute poverty. I live in a city which for 20 years was frankly, technically

speaking, virtually on its arse, at each other's throats. Not until we got a little bit of growth could we even ask the question.

So do not think that social cohesion and economic competitiveness are mutually exclusive strategies. The most successful cities in Europe are in Northern Europe - Scandinavia, high State spending, high taxation, high public investment, high education, high innovation, high performance.

There's a clear relationship, it's not automatic but, unless you think about the sources of creativity and innovation of wealth, you'll be struggling to redistribute a shrinking pie and, in an age of austerity, you don't want to be there.

The critical success factors: Mike⁶ and myself had a chat last night - in 1992 , because I had to say something, I invented the Entrepreneurial City, in 2004 I was on a platform and I called it the Competitive City, he has his Learning City, Joan⁷ has her Healthy City, and really now you know the Smart City.

I know the bloke who invented Smart Specialisation. He's going to advise everything about European policy, and I know Phil McCann, he's a mate, he doesn't know what it means. What it means is that every place is somewhere and every place has got some assets and every place has some people and the best thing that place can do is get those people together to mobilise the assets to make it a better place to be in - that's Smart Specialisation - you know that, you're here.

In my view the drivers of success that you need to focus upon are innovation in profit and process, economic and social diversity, human capital, connectivity, place quality, by which I mean social cohesion and sustainability as well as everything else and, frankly, I think strategic governance capacity, politics matters. In the global economy territorial governance will matter no more. In other words, you've got to get your act together, which you've done very well in Cork, and fight your own corner.

What's the evidence? Well, I went to a lot of places, read a lot of stuff, got a huge database, interviewed loads of people at local, regional, national and European level, did nine case studies, one of which is Cork. There are different kinds of second tier cities. They're very different. But what they have in common is that they're not capital cities, and actually many of them have made a huge economic contribution to their national economy which is often under recognised and under valued.

I subscribe very strongly to the OECD analysis - where do you get the most growth from, both in the boom and in austerity? You get it from the middle. Because at the top, you have had so much growth in the best cities they don't offer you hell of a lot.

⁶ Professor Mike Osborne, fellow speaker.

⁷ Joan Devlin, fellow speaker.

And at the very bottom you're not going to get much growth. You look at the data and it tells you that the growth comes from the places in the middle.

What came out of the report? I have to say I've become famous for saying blindingly obvious things, but somebody's got to say them. First of all, the performance of cities is absolutely crucial to national economic competitiveness. If you don't have successful cities you don't have successful national economies. It's blindingly obvious, but ministers come and go, civil servants come and go, you've got to say - is that part of their thinking?

Secondly, it's absolutely clear that the performance of second tier cities varies. You look across Europe it's absolutely clear that capitals dominate the national economies in terms of GDP, but the gap isn't the same in all countries and the gap is changing, so it's not for all time, and it's not immutable.

It's obviously clear, and I'll show you evidence, that capital cities dominate the national economy much more in the east than in the west and that suggests to me that if you're looking for significant economic performance you don't want a dominant capital.

You're sitting there thinking you've got the most dominant capital outside France, what would it look like if the relationship were different.

The evidence is from the boom is that many second tier cities made a growing, increasing contribution to the national performance and actually I'll show you in some places the second tier cities, including your good selves, the second city beat the capital.

Watch his presentation from here

I'm going to run figures now. What it will say, in the last set of heavily centralised countries performing rather badly there's a huge gap between the capital and second tier.

I'm going to start with a set of cities which are in the most successful economies in Europe and you're going to find - quel surprise - they have very successful second cities.

The most successful economy in Europe? Germany. The most decentralised economy in Europe? Germany. The most powerful cities in Europe - Germany. Germany - most successful country in Europe - more successful second tier cities than anywhere else. Austria, same relationship.

Bet you're not going to believe this – I was talking to Pat⁸ about it – actually Ireland comes out as the highest performing national economy and Cork beats Dublin. We think this is something to do with FDI⁹ and profits being repatriated – but whether that's absolutely true or whether the economists have fiddled around with it, it's really interesting.

As we move from less centralised to more centralised - the economic performance goes down - there's Spain – regionalised, not bad – the gap is 5 to 20%; then we're starting to move where the capital really dominates by 20 and 30% - in the middle bits. Poland is the most decentralised of all Eastern European states and is one of the most successful. But as we get into Hungary, Romania and Greece, you are beginning to find the national GDP is low, the capital dominates, they have very few successful second cities. It seems to me there's a relationship there between decentralisation, capital dominance and economic performance.

In the boom, a lot of second tier cities contributed more than the capitals. Look, Germany – the red is the capital city. In all those categories in the boom, second tier cities actually paid off – in other words, if you invest, you get a return. This is an argument about investment not territorial fairness or justice or it ain't fair, why doesn't Cork or Limerick get this or that. This is an argument about investment, which hard nosed economists should at least argue about with me.

They're still doing well in a lot of those places – but the further east you go they didn't catch up because the east was putting all the eggs in one basket of the capital city.

Governance matters. I'm going to show you a picture and what it shows is a trend line between economic performance and extensive centralisation from the most to the least centralised; from the former East European heavily centralised, to some unitary centralised, some regionalised, to some federal states. See that band going up there, basically on the left hand side cities are lower performing, more centralised – as you go up the performance level, less centralised. It's not absolutely perfect and there are exceptions. But there's a relationship there between how we run our state and what happens.

Greater decentralisation gets you greater productivity. Numbers again, that's a correlation – again it shows basically more decentralised, more productive – countries and cities.

It's not only better economically, if you don't have such a big gap, it's fairer. I'm going to show a table now that shows very clearly in the countries where the capitals grew more than the second tier cities, regional inequality increased. Inequality got worse, not when the national economy did well, but when the capital

⁸ Pat Ledwidge

⁹ Foreign Direct Investment

city did better than the national economy - that's the real message. In Germany the capital did not grow and actually inequality declined in Germany. As we go right we'll find that where the national capital grew, inequality grew. Ireland is in the not very good end of that. So there's a relationship there. Well Minister - it wouldn't only be more efficient if you invested in other places it'd also be fairer and address the problem you lot face.

What's it all mean? There's a real risk - we've had a boom and we've got a bust - it's bad here, bad in Spain and Greece. There's a real risk that all that investment that paid off and the second tier cities grew, will decline. There will be competition between public and private sector investment which will widen the gap within the second tier cities and the competition will widen the gap between the capital and the second tiers.

That's a map showing you again what happened in the boom, growth across Europe, strong growth in the Baltics, central and south eastern Europe, steady growth in western Europe, mostly southern Europe, the UK a strong performance. That was the boom.

That's the bust - everywhere's gone down - huge reversion in the Baltics, which had done very well in the boom. Poland is probably the only East European country which kept going - western Europe has dropped off except Germany - the most decentralised, most powerful cities, climbing. Southern Europe is in decline; the UK and Ireland very mixed bag and the UK core cities are falling behind. There's the risk already, and this data is from 2010 - and we've had three years more of this. This is a big deal - this is the social cohesion challenge we face.

What are people doing and saying about it? Actually there's very little debate in most European countries about this question - where should we invest? Mostly people just spend their money on the capital, because it's easier, simpler, goes without saying. The bar to justify investment in the Olympics is much lower than to justify investment in HS2.¹⁰ Always is.

Some people focus on cohesion but increasingly there's a concern about economic performance, not at the expense of cohesion, but because it's one of the potential ways of addressing it.

Some national governments have begun to focus on those drivers - innovation, quality, capital, diversity, and begun to think where should we spend our money for long term benefits. They're beginning to say, like in Romania, like in Poland, very centralised countries, we can't go on like this, we have to diversify, we have to spread the wealth, we've got to get more successful places. Otherwise the economy will go down.

¹⁰ High Speed 2 is a planned high-speed railway between London and the Midlands, North West England, West Yorkshire and potentially the central belt of Scotland.

The countries which are more decentralised and deconcentrate investment simply do better. These are complex relationships and I'm grossly over simplifying them. But I think I've got this evidence base saying that as you have agglomeration economists who say you've got to invest in the capital because you've got to have that to drive the economy.

Answer - It's not a conflict between government and the rest – it's win win.

There are dis -economies of scale where second cities can pick up some of the slack, take up some of the pressure, they could absorb some of the overspill, nobody wants to artificially limit the capital - Dublin is a Golden Goose, so is London, Paris ..

The number of second tier cities you can have will vary – if you have a big country, you'll have more; if you're an eastern country where all the growth is in the capital you have to take your time, you can't do it overnight.

The policy aim of governments should be to maximise the number of high performing second tier cities, given the position in which you are in. You need much more systematic policies for second tier cities. Just ask the question – how would that investment policy in size, technology, education, universities – what would be the territorial impact be of that? Just ask the question. You've got to maximise the territorial impact on national policies.

The bigger picture, and I've said this to the European Commission and it's being taken seriously because they want to hear it. They say Michael we have to invest in the capital, can't you show there's another way. I say listen I've said it to the UK government and they say thank you, we're doing all this stuff because Michael says so.

My simple message is: decentralise responsibilities and resources, don't just pass the buck, you have to pass the money and deconcentrate investment. You need territorial economic governance of scale, you need to manage yourself as a region. Cork is doing it voluntarily – good, must try harder. You need more financial liberation, greater transparency in territorial investment strategies, mainstream money.

Basically invest in second tier cities when, under these three conditions, the gap between the capital and second tiers is big and growing but the second tiers are weak. They have a weak business infrastructure because of historical under investment and there are negative external factors.

Four slides – two on Ireland, two on Cork.

The urban issues for Ireland - it has gone from the Celtic Tiger to recession in a highly centralised economy and country. Its advantage is that it is a gateway to Europe, it does have a low corporation tax, it is highly educated but it is overly

centralised. It has a highly centralised system which is changing but only slightly, slowly. Dublin is dominant politically, economically and culturally. National policies for cities are not that integrated, they're divided, the Minister told you so. You've had localised planning system, weak national planning – in a sense you've just let it rip, you've got sprawl. Our colleague from Vitoria Gasteiz¹¹ was saying 'We don't do that.'

Tax incentives obviously before the bust incentivised physical development. At the end of the day, for historical reasons, local authorities in this country have far too few powers and resources. Germany's successful cities have successful planning.

My message to national government is cities matter, so support them. Let me remind you, I'm not an economist, that competitiveness, cohesion, liveability, sustainability, they're all different sides of that coin.

Place making is a real asset, you are good at that, encourage local leadership, think about city regions, new financial instruments because the public sector is broken, more contractual working, partnership very nice – that's all good but get it nailed down in contracts, more government departments need to value cities, and much more government collaboration.

My last two slides.

Achievements - well done Cork, thank you for helping my argument. Look across Europe, for instance Munich – oh, that's a big city, Barcelona, oh, that's very special - Cork – that's interesting.

The economic driver of the southwest; of course it's benefited from Europe; of course it's benefited from the sustained strategy of FDI and internationalisation. You've got a better balanced, high value added economy more than, better than, any other Irish city, it's better balanced. Dublin is too much in financial services, you've got manufacturing, high tech, public sector - you've got the right mix. You've got a young, well educated workforce and, it goes without saying, you've got a very strong Third Sector in this room today, huge commitment, huge energy, huge passion – the point is to channel and connect to the economic drivers. I think you've played a very good hand, given the very weak local authority it has to move that way, be very good indeed.

It's about developing the place quality assets. People like to live somewhere – it matters. There's a lot of argument about how much a place matters. People go to a place not because it's nice but to get the job; but they stay in a place because it's nice. If you think just because you make a place nice you'll get highly educated people to come to Cork because it's down there, it's coastal – forget it. But if you get them and they think it's nice and they have a load of kids and think 'I'm not going back' – good.

¹¹ José Arriba's city in the Basque Region, Spain.

I think you've had good leadership - good City Council leadership, I think they're trying very hard. The Cork Area Strategic Plan¹² was ahead of its time - my sense it they do try hard, and I've talked to people here from the private sector. I think that public private triple helix partnership is okay here.

I think you need to have some self confidence. I talked to Dan Boyle¹³ yesterday - 'So tell me Dan I wouldn't want to accuse a Corkman of false modesty' ... 'No, no, don't go there.'

I do think you kept your eye on the ball. My drivers of competitiveness, I have to tell Pat, I invented them on the back of an envelope the night before I saw John Prescott¹⁴ - I said John, these are the six things which make cities successful and I wrote it down, and people now say that's true. So he wrote it down and it now informs all his strategies. But it is true.

What's for you - the challenges?

Because you've got the dual economy, social exclusion is large. This is a two track city, you know that. I'm staying in the Clarion - I've never stayed in a provincial hotel in my life and I've lived in America where I've met so many Americans away - that is the dual economy. I haven't shown your bad parts yet. But in a sense, what's happening is that bit of the economy is okay. The problem is that gap is not sustainable - in a boom it's okay. So that depends on FDI, so it's something you've got to think about.

Clearly you've done well City of Cork in county city relationships - but suburbanisation, economic investment beyond the city centre is a risk and I know Pat and others in very high honours are on this, you've got to keep the city centre alive. It had a good period but it's probably a bit tired and you need to reinvest in that and not let stuff get dragged down. You must get that spatial balance right. Connectivity - well you're dominated by cars, that's not your problem in a way, public transport in this country is the responsibility of shareholders, you can't be blamed, but it raises sustainability issues and again José has put some good points on the table.

Pluses and linkages they need to mature and deepen; the impact of the crisis is something you need to look at.

What your story is above other places - and José gives some very important stories about Vitoria Gasteiz - your message I believe is truly powerful, it is that Cork has shown that, even when you have limited powers and resources, good, strategic, political, visionary leadership can make a difference.

¹² CASP 2001 - 2020 formally adopted by Cork County Council and Cork City Council, October 2001.

¹³ Dan Boyle of Green Foundation Ireland, former Senator, TD & Chair of The Green Party.

¹⁴ Deputy Prime Minister, UK, 1997-2007.

Secondly, I do think European policies have been crucial, raising the bar, raising standards, challenging, paying.

And thirdly, decentralisation and deconcentration are necessary, desirable, and though he's gone I'm going to say - more please Minister!

Thanks very much.