Cities as national champions?

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ABSTRACT  As governments, committed to neo-liberalism but still committed to pursuing national economic success, seek for policy approaches that evade international competition law, they may turn to favouring national champion cities, usually but not always capital cities. This usually also favours particular industries and firms, but only indirectly. This is not the same as policies for favouring backward or declining regions, as the champions selected are already strong and well performing. The aim of policy is to make them even stronger, with resulting tension with pre-existing redistributive territorial policies. Examples are taken from a number of European cases, but with special emphasis on London and Paris.

KEY WORDS  Champion cities; competitiveness; urban policy.

INTRODUCTION

Once upon a time, European states provided large material support to the making of national industrial firms, the national champions, pillars of economic modernization and economic development strategies. These were firms that dominated their domestic markets (energy, automobile, steel) and often were the bulk of the export capacity. National champions might have been private or public (Shonfield 1965), but they benefited from the financial support of the state. As this collection demonstrates, those days are largely gone, although not entirely. Even if some national champions still prevail, in energy for instance, many of them have had to deal with globalization and European processes; some have even disappeared. International and, in particular, European competition rules make it increasingly difficult for governments directly to support national champion companies or even sectors.

However, economic competition between countries has not decreased; neither has the need for governments to be re-elected by national electorates. Research on the restructuring of the state suggests that market-making and supply-side policies have become expansion areas for state activities (Levy 2006). From a more critical standpoint, Jessop (2002) suggests the current state may be characterized as a Schumpeterian workfare state mostly concerned with economic competition, the development of supply-side policies and the forced realignment of social policies. In this contribution we consider one aspect of this process: the shift from national champion firms to national champion cities. Among the realignments of social policy that this involves is frequently a shift away from regional development policy aimed at assisting...
backward areas to one aimed at improving further the performance of the most successful.

As made clear by Clift and Woll (2012), economic patriotism is very much at play in many countries but ‘unlike economic nationalism, economic patriotism is agnostic about the precise nature of the unit claimed as patrie’. In our case, this does not mean that we are looking at a local economic patriotism in the sense of people defending ‘their’ city against others – except to the extent that national politicians, whatever districts they represent in parliament, come to identify with the political capital. Governments and economic élites, however, may well decide that the national interest requires the subordination of many local interests to that of the key city or cities that will be the national leader in global competition. Where this includes campaigns to make the city the location for iconic and lucrative international events, this may well include an appeal to patriotism of a literal kind.

A recent article in the Financial Times clearly made the point and worried about classic dirigisme issuing from the French or in our terms, the effectiveness of economic patriotism. Mentioning the threat to the City of London after the financial crisis the journalist wrote:

the city of London cannot be complacent. Most British politicians and officials are bad at engaging with European institutions, and somewhat embarrassed about fighting for the nation, let alone the City. But the French financial establishment by contrast, is highly disciplined (if not dirigiste) and has no qualms about protecting the national interests. It also understands the importance of fighting in the financial weeds, be that the halls of Brussels or the darker reaches of derivatives clearing houses. So stand by for plenty more subtle tussles about infrastructure. (Tett 2010)

As the production of wealth has become more urban (Scott 2002, 2008; Storper 1997), states have shifted resources to invest massively in their capital cities and in urban infrastructures, from information technology to research, financial platforms to transport. Nothing can stop them developing national champion cities or regions, as competition policy is directed solely against favouring firms and industries, though in practice favoured locations are often associated with specific industries, even specific companies, and these can benefit from advantages being given by public policy to the geographical space. Such strategies constitute particularly literal examples of economic patriotism. Patriotism is associated with the defence and promotion of nations, lands, territories; in the strategies being discussed here, economic patriotism takes the form of advancing the interests of specific parts of the national territory. Support to leading, usually capital, cities may therefore be an important feature of economic patriotism. We must make it clear at the outset that we are not talking here about policies for aiding backward or declining regions, but the direction of resources towards leading, already successful, cities and regions as national champions.

We shall here first explain the changes in economic innovation in advanced economies that have produced this new emphasis on the economic politics of
location. Second, we consider how these processes produce policies for champion cities. Examples are given, with particular reference to the key examples of London and Paris.

KEY CITIES AS MAJOR CENTRES OF NATIONAL COMPETITIVENESS

Large urban economies are the main motors of contemporary economic growth. The argument is well known, not always easy to measure, is more a question of degree than nature, and the explanation for this dynamic is not completely clear. One difficulty is to explain the process through which one region has more successfully specialized in the knowledge economy, with its high wages, skills and incomes, than the other. As Storper (2010) argues, economic development is a process with long latency effects, combining economic specialization and innovation, human capital formation, policies and institutions. We argue that the competitiveness of many countries, in particular in Europe, is heavily dependent on the competitiveness of certain city regions, often the national capital.

In many parts of the world cities have become again the key engine of economic development as they were during most of the Middle Ages (Hohenberg and Lees 1985). Two main factors have been proposed: the pressure of globalization processes; and the need for agglomeration raised by new forms of economic development. Many observers have therefore taken globalization trends and increasing networks and exchanges to be the main factors behind the city revival. Processes of globalization, including transnational migration, architectural development, financial transactions, transport flux, or dissemination of technological innovations contribute to the rise of mega cities in different parts of the globe. The phenomenon is also explained by the demands of the ‘new economy’. Storper and Manville (2006) suggest that its demands for proximity are stimulated by information. Therefore, people have to work in close vicinity in big cities with diverse economic sectors to sustain the production of knowledge and the circulation of talents among sectors. Cities are giant matrices for recombining resources in order to generate innovations (Veltz 1996).

According to Scott (2008) the rise of global city regions, both in the rich part of the world and within developing countries, is first and foremost economically driven by two forces: first, concentration of economic activities reduces transaction costs and helps ensure flexibility and overall efficiency; second, city regions allow the concentration of learning processes, innovation, creativity and dissemination within all sorts of networks. These city regions result from the amalgamation of existing localities, forming an inter-territorial organization for collective actions that are more or less functionally dependent. Some can be organized around a major urban centre as in the classic model of the metropolis; some may be the network of urban centres, e.g., Milan or the ‘Randstad’ delta metropolis in the Netherlands. Some may cross national boundaries such as the
‘Örestad’ region linking Denmark and south-west Sweden. The basic argument behind this version of the mega-city is from economic geography:

These regions are the centres of dense networked of transnational firms, they ‘thrive on the productivity – on innovation- enhancing effects of dense and multifaceted urban milieux that are simultaneously embedded in worldwide distribution networks’ (Scott 2002: 4).

Following John Friedmann’s (1986) early intuition and the acclaimed book of Saskia Sassen (2001), many researchers have tried to identify global cities as a particular urban form. Only a small number of locations around the world seem to be able to support the most advanced, high added-value activities, the kinds of activity in which governments around the world are concerned to ensure that their economies can succeed. Firms in these cities are often networked with each other across the globe (Sassen 2001). Paradoxically, the more global and less material an economic activity, the more it is concentrated in space. Sassen (2006, 2007) has pointed out that it is services activities – increasingly constituting the highest end of the value chain – that are typically concentrated into a far smaller set of spaces than the extraction, manufacturing and distribution stages. She draws particular attention to the highly concentrated nature of commodities trading in just a few centres (New York, London, Chicago, Tokyo). In fact the concentration is even more extreme, often consisting of a few streets of high-rise buildings within these cities, as captured by such precise identifications as ‘Wall Street’ and ‘The City of London’. Meanwhile, as Sassen points out, production of the commodities themselves is scattered around the world, often in highly unfavoured locations. She also suggests that 24 cities dominate global network connectivity, airline traffic and immigration around the world. The activities that are concentrated are in particular those that require highly educated, well-remunerated staff, leading to a concentration of wealth and cultural activities. It is as though these top-end parts of whole complexes of related activities have been extracted from the generality of activities and located in this small number of highly favoured places. Governments then become engaged in a form of competition to secure the choicer parts of the very mixed bag of investments that transnational corporations spread differentially across the world. However, Sassen also shows that the advantages do not stop there: the new growth poles of the knowledge economy help stimulate exceptional growth in distributive services, restaurants and sometimes even certain forms of local manufacturing and agriculture.

Capital cities have been particularly favoured by these processes, as these also offer proximity to political and administrative decision-makers and the headquarters (or at least national bases) of major corporations, bringing together large pools of talented labour. Even in decentralized countries like Germany and Italy, capital cities have begun to attract disproportionate shares of economic growth and highly educated people (Rodríguez-Pose et al. 2005). Where financial capitals are separate from political ones (as in the case of Milan in relation to Rome, or New York in relation to Washington), the
The former may rival the latter, but few other types of city are able to do so. Of the 78 metropolitan regions identified by the Organization for Economic Co-operation and Development (OECD) in its 34 member states, 23 were capitals and a further four financial capitals (OECD 2006: 38–41).

However, there is little evidence to suggest that, in the European context, global or world cities are a particular category of cities beyond the concentration of networks, headquarters and more diverse interests. In economic terms, therefore, the rise of the so-called global cities is rather to be related to the more general renewal and acceleration of metropolization trends which are also valid for medium-size cities in the United States (US) and Europe alike. There is indeed more to economic development than just the leading services. Following Veltz (1996, 2008) we would argue that dynamics of metropolization could be used to account for both the growth of a good number of European cities, notably regional capitals, and the effects of acceleration and accentuation of these dynamics in the largest of them. Differences are of degree, not of nature, reflecting hierarchies of cities. But differences of degrees make a big difference.

These ideas about the growth of large cities have been based on various measures of urban growth. Within the limits of this contribution we do not address the question of population growth. However, the State of European Cities Report by the Urban Audit of the European Union (Eurostat 2007) provides evidence of the more recent socioeconomic urban trends within the Europe of 27 (and of increased diversity from the enlargement). The population of European urban areas is still expanding more quickly than the growth of the overall population. In most countries, the pattern is mixed: some dynamic urban growth in a majority of cities and some cases of decline (or of shrinking cities). The largest cities in the north of Europe in particular (Netherlands, United Kingdom) and in Spain or Greece have expanded more quickly than smaller urban areas.

Turning to economic growth, which is our concern, one must keep in mind the limits of some indicators, using regional gross domestic product (GDP) indicators in particular (Davezies 2008). Also, the production of wealth has become disconnected from the level of income through massive public redistribution processes and the mobility of the population (Davezies 2008). When comparing urban and regional growth rate, one must remember the specific regional macro-economy, which comprises four particular dimensions (Davezies 2008): development based on industry and services; public employment; transfer payments to individuals from the state; and the residential economy (consumption of inhabitants, tourism, secondary homes). There is an increasing disjunction between places where people work, live and contribute to wealth creation and places where they spend time and money. In most countries, inhabitants from capital cities have better jobs, salaries and contribute more than their share to the production of wealth; hence the very high productivity of those regions. By contrast, strong economic growth from other regions may be also related to this type of process but more often is primarily based upon the three other motors of economic growth related to massive
transfers (public redistribution, pensions, but also private transfers through mobility) from capital city regions to the rest of the country.

In most European Union (EU) countries the competitiveness of the country is increasingly dependent on the economic performance of the key region, and a growing part of national GDP is produced by a smaller part of the population. Most accounts of the productivity of the larger cities conclude that it is superior by about a third to that of the rest of the country (Davezies 2008). Greater London accounts for about 25 per cent the population but 33 per cent of GDP. Paris Ile de France produces over 30 per cent of the GDP with about 21 per cent of the French population. Figures are similar in smaller centralized countries: Oslo accounts for 22 per cent of the GDP but 11 per cent of the population.

The State of European Cities Report by the EU Urban Audit2 (Eurostat 2007) provides a set of figures (from GDP per capita within cities, to economic growth, employment growth and contribution to the national growth) which clearly demonstrate high levels of economic concentration to the largest cities (London and Paris), and to major cities of north-west Europe, even if a whole set of more peripheral and medium-size cities are also enjoying very consistent economic growth: national and regional capitals of Eastern and Central European countries (Budapest, Prague), Madrid, Barcelona, Athens, Thessaloniki, regional cities in the main countries (Munich, Lyon) and in the periphery (in Ireland). The picture also reveals the remaining transformation, slow growth or difficulties of old industrial areas, port cities, or Eastern European cities that do not benefit from the service growth. Services are centrally important; within the five largest urban areas in Europe (i.e., London, Paris, Berlin, Madrid and Rome), ‘service sector employment accounts for between 80 and 90 per cent of all jobs’ (Eurostat 2007: 44). Some regional capitals still have an industrial base. Among them it is, however, crucial to make a distinction between rapidly declining industrial cities in Eastern and Central Europe, and dynamic cities with mixed economies including a dynamic industrial part in Western Europe (such as Göteborg, Grenoble, Cork, Tampere, Linz.). But the economic weight of capital cities is massive in comparison.

Similarly, Harding (2007: 54–6) has identified urban development trends within European and some other countries between 1998 and 2003 based on two sets of data from the European Union’s NUTS 3 regions: rates of economic growth; and a measure of economic ‘weight’ (the percentage of national GDP accounted for by a region). This enabled him also to conclude that (with some exceptions) pre-existing national urban hierarchies were reinforced, or at least the largest metropolitan regions grew faster than the rest.

The burden of the evidence, certainly within Europe, seems to be that in the post-industrial economy capital cities, and a small number of other locations, are able to build on past legacies of superior facilities and accessibility to pull away from the rest of their countries. Le Galès (2002) and Veltz (1996) have reached similar conclusions. Veltz in particular has shown how the knowledge economy makes increasing use of concentrations of people, producing a kind
of archipelago economy in which the results of growth are retained within existing privileged areas. Other regional capitals or second-tier cities also have strong economic growth but, in particular in more centralized countries, the mix of large scale, growth and competitiveness is central for the economic development of most countries. This has been reflected in policy terms.

THE POLICY SHIFT: FROM ADDRESSING INEQUALITIES TO REINFORCING SUCCESS

Obviously, it cannot be concluded from the above survey that these patterns are the deliberate or even the incidental consequences of public policy. At a certain level it does not matter whether government is concerned to advance its capital or some other favoured city, or it just happens as a result of market forces; the result is the same. It is, however, a matter of interest to discover how much intention lies behind these patterns, particularly because of the frequent assumption that government policy operates to offset inequalities resulting from market forces. Perhaps government sometimes reinforces the market, either because it believes that ‘trickle-down’ is superior to redistribution, or because it believes that it has no choice. If there is a competition to attract footloose resources, the competition can be won only by maximizing one’s chances of success. A football manager does not field a weak team for a crucial match in order to give the other side a chance. If this is indeed a consequence of globalized investment activity, it has profound implications for the role of the state in relation to redistribution going far beyond this particular issue.

National governments have shifted policies in order to strengthen their capital cities as national champion of economic growth; evidence that this occurs indicates that this new form of economic patriotism has been adopted. In terms of Clift and Woll’s scheme in their Table 2 (Clift and Woll 2012), it is an instance of ‘Quadrant 1’, a liberal (rather than protectionist) policy favouring insiders, but it goes beyond their characterization of this quadrant as constituting ‘[s]elective liberalization in strategic sectors’. Rather, public resources of a more social democratic kind are brought to bear on the favoured cities, equipping firms in principal sectors within them then to take part in liberalized economic competition.

A more radical version of the argument suggests that the contemporary capitalist state is organizing the demise of regional equality strategies and urban competition in order to strengthen national competitiveness. Brenner (2004: 16) believes this to be the case, claiming that the aim of contemporary urban policy is not the even development of a country’s regions, but the intensification of inequalities ‘through the deployment of locational policies designed to strengthen the place-specific socio-economic assets of strategic, globally linked regions’. As Van den Berg et al. (2004: 1) express the point:

Urban competition seems to have become the leading principle to determine the future urban system in Europe. . . . Cities need to anticipate and respond
efficiently and effectively to opportunities and threats that influence their competitiveness structurally. City governments develop policies to try to meet these challenges, but at the same time higher layers of government pursue policies that influence the position of the cities. National governments – and regional governments in federal states – draw up financial and policy frameworks that establish the social, economic and political conditions for cities to design their own policies.

We document this trend while remaining aware that contradictions remain in national policies. Shifting resources to favour national champion cities always generates massive opposition from political interests representing the rest, i.e., the majority of the population and regions. We argue that this contradiction is becoming strongly politicized in many countries, leading to contradictory policies.

There is nothing new about policies favouring key cities, and especially capitals. In many parts of the world, including much of Europe, today’s leading cities do not lead because they won out in a pure market competition. They are the products of centuries of political decision-making, concentrating major cultural facilities, transport networks, great architectural endeavours and major national institutions within them. It is notable that the capital cities of small states each manage to possess these attributes in a way rarely demonstrated by neighbouring cities within the same state. Would Brussels and Amsterdam both have world-class art galleries if Belgium had remained part of the Netherlands? Where we find exceptions, there is usually a legacy of earlier political separation (as in the cases of Barcelona and Edinburgh). Once established, characteristics that render a city superior to its neighbours within a national territory establish a path dependence. A city that has inherited from the 19th century an excellent network of rail connections is also likely to be chosen to be the centre of road networks and major airports, as it is more promising to enter it into the global contest as a city that has everything in the way of transport links than to offer one city with the country’s best rail links and another with the biggest airport.

During the post-war years, most national governments had developed forms of carrot-and-stick regional policies. Economic policies directed at specific territories were associated primarily with the development of backward areas, like the Italian Mezzogiorno, or, in industrialized countries, with the regeneration of declining old industrial areas trying to find new futures in the post-industrial economy. In Britain or France firms which located outside Paris or London benefited from subsidies, and a decentralization of economic activities remained significant until the 1970s. Large numbers of public-service jobs were moved. At the same time, particularly in France, governments developed a financial instrument to penalize the development of new investment in the Paris region. Nordic welfare states guaranteed similar level of services and investments in all regions, thus limiting the development of the capital city.
A major factor inducing change in this model was the rise of small numbers of transnational corporations having wide choices of locations across the world when they wish to establish new facilities. Once they have established themselves in an area, they are likely to build strong corporate-specific infrastructures and therefore remain there for years. Persuading some of these firms to locate an up-market facility in the national territory therefore became an important goal of public economic policy. Well-equipped, dynamic, attractive cities are valuable supports to governments when they lobby firms to choose their country as a location.

This is a very different form of locational competition from that dominant in developing countries of providing low-cost, low-tax, low-standard environments for other aspects of the same firms’ activities, the ‘race to the bottom’ competition that has acquired prominence in the debate over globalization. These differences in the geographical location of different activities are of course two sides of the same coin. For some national governments in middle-ranking countries there may even be a choice concerning in which of the two competitions they wish to play; some large countries with extreme internal inequalities may offer different cities in different competitions. In other cases historical legacy more or less determines the game that a city will play. In this manner new patterns of global inequality are being produced, or old ones reinforced through the path-dependent nature of many of the processes involved. Rarely will governments leave the outcomes of these competitions to chance, when they have the chance to influence outcomes through actions that break no competition rules. As Crouch (2008: 3) has expressed it:

While it might have developed initially from market forces, the process of establishing some favoured cities as the preferred locations for advanced economic activities has quickly become a major field for public policy. In many respects, urban policy has become for the advanced services-oriented economies of the early 21st century what industrial policy was for much of the 20th. Important examples can be drawn from the cases of Oslo and Helsinki. Norway has long had a strategy primarily concerned with ensuring opportunities for development in more remote parts of the country’s thinly populated, long, narrow landmass, a clear example of the old concept of development policy as compensatory. There was also a decentralization of policies away from central government, through the establishment of national implementation agencies and the regional distribution of significant policy funding (OECD 2008: 96–7). A 2005 White Paper on regional policy built on these policy developments and confirmed the new way of thinking about regional policy, by explicit reference to competitiveness concerns. It stressed innovation and the promotion of regional development in all regions through the regional differentiation of policy (OECD 2008: 98). Meanwhile, however, something else had been happening. Economic dynamism was becoming increasingly concentrated on just one region, that around the capital, Oslo. About 22 per cent of national GDP (excluding offshore oil and gas activities) in 2002 was produced
in the Oslo region, although it represented only 11 per cent of the national population (OECD 2008: 58). Governments decided that Oslo’s development could no longer be left to chance, given that competitor cities in other countries were receiving favourable policy treatment. The capital region is therefore now being favoured by public policy (OECD 2008: 77–8). In recent years policy has shifted to a proactive concern with ensuring a strong business environment to aid competitiveness in all regions of the country. As a consequence there was necessarily some shift of attention away from peripheral and rural areas, though the funding emphasis continues to be strongly in favour of the latter. Tensions created between Oslo and other regions, some of which are now experiencing a drain of skilled labour and other resources towards the capital, are becoming an important issue. Meanwhile, there is anxiety that these other local economies will be damaged, while not enough is being done to secure the international competitiveness of Oslo (OECD 2008: 144).

The story is even more telling in the case of Helsinki because of the importance of Nokia for the whole economy (Haila and Le Galès 2005). The Finnish government has accepted a need to finance major infrastructure projects in Helsinki in order to compete with other Baltic cities on the one hand, and with Scandinavian cities on the other, in particular for airports. Massive policies to invest in research clusters, in higher education and infrastructure in Helsinki have been closely connected to the need and requirements of Nokia. In this case, the idea of a national champion firm and a champion city region overlap heavily. What was good for one was good for the other, despite the protest of powerful agrarian interests. Regional innovative clusters were also developed elsewhere in the country, in particular in the dynamic remote region of Oulu – another major Nokia site – but that did not prevent the shift of resources to accompany and foster the growth of the capital.

An ostensible difference between policies for champion cities as opposed to champion firms is that individual corporations do not acquire privileged positions in relation to government. However, this is not necessarily the case. An important recent trend everywhere in the politics of business is the decline of representation by associations and the rise of lobbying by individual firms. This includes a role in structuring the new global urban pattern. Sassen (2007) points out how new, private IT infrastructures link member firms and parts of firms across the world. These are not services that are shared with other individuals and organizations within the cities, but just with other global firms. This cuts these firms off from the remainder of the city in which they are located, which are left outside the global networks of the firms. It is not so much cities as their corporate elites that form the new global urban networks.

Governments necessarily deal closely with these firms when devising the new urban strategies. The firms then become government insiders, possibly erecting entry barriers against those who have not managed to gain such privileges. Competition may become distorted and displaced from the quality of products to the quality of political influence (OECD 2006). Second, only large firms can
usually participate in this kind of relationship with government, leading to public policy overlooking the role of small and medium-sized enterprises, as several cases of local development policy in the United Kingdom (UK) demonstrate (Burroni et al. 2005). Some of the problems raised by the old national champion enterprise strategies may therefore return with the new approach. There is, however, the major exception that the firms are only coincidentally national, in the sense of belonging to the nation states forging policies with them. In former national champions approaches, governments selected favoured national firms and sought to advance them in global competition. In the new policy, governments seek to have parts of their national territories selected by transnational firms, so that these territories might advance in global competition.

However, strong resistance is also deployed against these trends, either because other regions and cities organize to limit champion city privileges, or because many of the inhabitants of champion cities themselves are less interested in economic growth than in quality of life. Ongoing debates on the extension of the airports bear witness to those tensions. Also, although both London and Paris, for example, are clearly escalator regions for the rest of the country, it is not clear that their productivity remains as high as it used to be. Some economists argue that there is far too much transfer and redistribution from the capital city to the rest of the country, creating a threat to the competitiveness of the whole economy.

### LONDON AND PARIS

Securing locations within the national territory for activities of the kind discussed above, and then ensuring that these locations are the most competitive of their kind in the world, become a means of politically favouring selected sectors in ways that break no competition rules. The relevant policies include such things as steering major infrastructure projects – such as urban transport systems, scientific complexes, advanced education facilities – towards the cities concerned; paying particular attention to their physical environments; using political influence to attract major global iconic events to them. It is not possible to draw up an analytical scheme of policy approaches that might be deployed; this is territory for imaginative political entrepreneurialism, with governments watching out for new opportunities to improve the competitiveness of their champion locations without offending either international trade law or the population of unflavoured regions. Some further illustrations of the range of policies that can be deployed can be given through a brief discussion of Europe’s two largest cities, London and Paris.

The UK has been at the forefront of many of these developments in city competitiveness, with London always as its aim. The neo-liberal project of the Conservatives during the 1980s led to a dramatic restructuring of urban and regional policy. The government argued that the development of London, if successful, would benefit the whole country through a trickle-down effect from the
increased employment and tax revenues that its success will generate. As Morgan 
(2012) explains, the development of the City of London, the medieval London 
that is today synonymous with the financial sector, was a key priority. In relation 
to this, the government organized the regeneration of the London Docklands to 
accommodate an extension of the City’s financial sector, pumping a large 
amount of public and private investment into the making of Canary Wharf 
and the surrounding area. This, alongside deregulation of the financial sector, 
enabled London to reinforce its status as a leading financial centre, attracting 
investment from all over the world. By contrast, investment in public infrastruc-
ture such as urban transport was at first not seen as a priority, though later the 
government realized it would have to build a new underground railway line to 
service the area.

These developments in London helped stimulate a French policy shift. As 
Harvey (1990) and Brenner (2004) argue, the rise of urban competition has 
been decisive in stimulating policy shifts, supported by private sector organized 
interests. The Paris Ile de France region had, until the 1990s, mainly been 
directly governed by state officials and had long benefited from state investment. 
But the priority now became clearer: attraction of investment to the region, a 
ew phase of expansion of the business district of La Défense to rival 
London, major investment in prestigious cultural projects, major investment 
in IT, research clusters and financial infrastructures.

In both London and Paris, the shift became more marked over the years. 
Different governments have invested large sums to improve and enlarge domi-
nant airports (Heathrow and Roissy Charles de Gaulle). Large-scale public 
transport renovation has been initiated on both sides of the Channel for existing 
underground and surface railways, including the Crossrail link in London and a 
plan to link Charles de Gaulle Airport, the business district of La Défense and 
the technological centre of Paris Orsay. The scale of these projects is from 20 to 
40 billion euros. By contrast, support to public transport elsewhere in France 
was cut, and the ambitious Northern Way, supposed to provoke massive invest-
ment in the North of England, was more or less abandoned. Culture was also at 
the forefront of the strategy with new national libraries, new museums, and in 
London the Millennium Dome. Both national governments worked hard to 
host the 2012 Olympic Games, a competition finally won by London, much 
to the disgrace of Paris. In both cases, the Olympic bid was an opportunity 
to justify massive regeneration projects and to channel large amounts of 
public money to the capital city at the expense of the rest of the country.

Public policy to develop research and innovation was also clearly spatially 
biased. Although mechanisms to fund research are different in the two 
countries, in both cases the capital city region (if Oxford and Cambridge can 
be considered part of this) massively benefited from the shift of public invest-
ment. The most ambitious project in France, clearly set up as Opération 
d’Intérêt National, is the development of the Orsay/Saclay area in the south-
west of Paris as a world-leading centre for innovation and research with 
massive public investment to develop infrastructures and technology transfers
benefiting, first and foremost, French leading large firms who happen to have their headquarters and research centres in the Paris region.

This shift in priority has also translated in political terms. A directly elected mayor was only introduced in Paris in 1977, and the first regional council was elected in 1986. The London Mayor was established in 1999. In both countries, ministers have been appointed with particular responsibilities for the capital. In France the Sarkozy government created a junior minister for ‘Grand Paris’, on the grounds of the need of the Paris region to become a competitive economic centre of the global economy. In governance terms (John et al. 2005), large firms have become legitimate actors to play an important role in formulating London and Paris Ile de France strategic plans.

CONCLUSION

There is a clear tension between this ‘champion city’ approach and the policy aims of many governments to ensure even levels of economic development across their territory. In particular there is tension with strategies of regeneration or assistance to under-developed regions. While the latter is a compensatory approach, seeking to provide assistance for cities and regions previously illfavoured by both market forces and political decision-making, the new policy involves deliberately concentrating resources on those already showing success, even (or perhaps especially) where that success has been the result of earlier political favour.

For example, a government may have to decide where to locate a major new piece of infrastructure, when the country can have only one. Examples would be a major exhibition centre or national sports stadium, or a terminus for an international high-speed rail service. If it chooses a city that already has an exceptional collection of facilities, it may tip the balance favouring that city above all its competitors across the rest of the world. Indeed, without such a favourable decision, the city may clearly lose out to its rivals. On the other hand, locating the infrastructure in a poor region that has difficulty attracting investment may considerable boost its attraction – but not to the point where it becomes a global or world-regional leader; just enough to attract a few new jobs. Of course, choices are not always as stark as this. It may be possible to divide investments between the two areas, though this might produce pots of resources too small to help either achieve its goal, wasting resources. Many other examples of similar policy dilemmas can be found (OECD 2006).

Advancing favoured places within their national territories has become one of the few forms of substantive economic policy left to national governments within European and global competition regimes. It is, however, an important policy arena because of the new importance of geographical place in the global knowledge-based economy. Cities and regions that are able to achieve a strong position in the competition to join the favoured networks of that economy can reap strong rewards. Instead of engaging in races to the bottom in the global economy, based on low wages, low taxes, poor public infrastructure and
environment, they participate in the opposite race which is also taking place. Governments, at least of democratic countries, are likely to be extremely concerned to enter that second kind of race.

However, this is a race with many losers. It is likely that only a few cities can enter it, which involves certain strategic choices to favour some locations and not others. It is in the nature of competitive processes that such a situation requires trying to build on existing success rather than advancing new or previously under-privileged places. This has in itself anti-egalitarian implications, but these are intensified by the fact that the strategy often involves zero-sum choices. Both policies for helping backward areas and those for generally ensuring evenness of development are thereby threatened.

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NOTES
1 Data from the European Urban Audit, an ongoing project started in 2003, are available at http://www.urbanaudit.org/
2 Ibid.

REFERENCES


